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ECONOMIC AFFAIRS

No. 382



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## AGGREGATE ECONOMIC DATA

### NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below, dates in the first column indicate periods compared, the gross value of industrial output is abbreviated as GVIO, heavy industry as HI, light industry as LI, textile industry as TI, gross value of agricultural output as GVAO, and gross value of agricultural and industrial output as GVAIO.]

#### PROVINCIAL-LEVEL AGGREGATES

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Heilongjiang</u>				
1983:1982 Jan-Jun	GVIO: 5.1	14.04 b	50.3	1
<u>Hunan</u>				
1983:1982 Jan-Jun	GVIO: 6.0			2
1983:1982 Jan-Jun	electricity: 7.2			2
<u>Jiangsu</u>				
1983:1982 Jan-Jun	GVIO: 11.8			3
<u>Ningxia</u>				
1983:1982 Jan-Jun	GVIO: 14.2	773.46 m	52.3	4
1983:1982 Jan-Jun	electricity: 3.7			4
1983:1982 Jan-Jun	LI: 15.3			5

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Qinghai</u>				
1983:1982 Jan-Jun	GVI0: 8.3		49.9	6
1983:1982 Jan-Jul	GVI0: 9.0	787.24 m	59.0	7
<u>Shaanxi</u>				
1983:1982 Jan-Jun	GVI0: 12.3			8
<u>Shanxi</u>				
1983:1982 Jan-Jun	GVI0: 18.6	2.39 b	54.3	9
<u>Yunnan</u>				
1983:1982 Jan-Jun	GVI0: 10.6	4.23 b	50.5	10
1983:1982 Jan-Jun	LI: 15.8	2.2 b		10
1983:1982 Jan-Jun	HI: 5.36	2.02 b		10
<u>Xinjiang</u>				
1983:1982 Jan-Jun	GVI0: 17.04		51.57	11
1983:1982 Jan-Jun	LI: 17.90		51.39	11
1983:1982 Jan-Jun	HI: 16.29		51.74	11

Source

1. Harbin Heilongjiang Provincial Service in Chinese 1100 GMT 28 Jul 83
2. Changsha SHICHANG TIAOJIE in Chinese 25 Jul 83 p 1
3. Nanjing XINHUA RIBAO in Chinese 11 Jul 83 p 1
4. Yinchuan NINGXIA RIBAO in Chinese 19 Jul 83 p 1
5. Yinchuan NINGXIA RIBAO in Chinese 20 Jul 83 p 1
6. Xining Qinghai Provincial Service in Chinese 1100 GMT 9 Jul 83
7. Xining Qinghai Provincial Service in Chinese 1100 GMT 8 Aug 83
8. Xian Shaanxi Provincial Service in Chinese 0050 GMT 24 Jul 83

9. Taiyuan SHANXI RIBAO in Chinese 11 Jul 83 p 1
10. Kunming YUNNAN WUZI SHICHANG in Chinese 16 Jul 83
11. Urumqi Xinjiang Regional Service in Chinese 1300 GMT 7 Jul 83

CSO: 4006/766

## ECONOMIC MANAGEMENT

### TIME FOR IMPROVING ECONOMIC BENEFITS IS THE PRESENT

Shanghai WEN HUI BAO in Chinese 27 Jun 83 p 1

[Article by Staff Commentator: "This Should Be the Year for Improving Economic Benefits; Discuss the Learning of Premier Zhao Ziyang's 'Report on the Work of the Government'"]

[Text] In his "Report on the Work of the Government" at the first meeting of the Sixth National People's Congress, Premier Zhao Ziyang emphatically pointed out: "All economic activity must be moved on to the track with improving economic benefits as its focus. This must not remain only a slogan. It must become a truly effective actual movement." He also pointed out: "Regardless whether it is readjustment, reorganization, technical reconstruction, or system reform, it must have as its target the improvement of social economic benefits and the increase of state revenue." This is our guiding ideology to properly carry out the readjustment work and to guarantee stable economic growth now and in the future.

The party Central Committee and State Council have been stressing the need to improve economic benefits for 2 years already. Through reorganization, strengthening technical reconstruction and improving operational control, many enterprises have done a great deal of work in the last 2 plus years. As a result, some increases in economic results have been made continuously. However, we should also note that in the areas of production, construction, and circulation, phenomena of waste in manpower, material, and financial resources are still extremely serious. Some leading enterprise cadres have not yet firmly established the concept of improving economic benefits. Despite efforts to mobilize during meetings, many measures are not effectively taken and firmly in place. The quality of goods produced in some enterprises is poor, the goods are not marketable and the enterprises do not pay attention to reduction of costs. For the purpose of improving economic benefits, the feeling of urgency of some units to carry out technical reconstruction has intensified. However, they often pay attention only to what to put in and not to what is produced. They only ask the state to make investment but do not strive for contributions to the state with every means possible. The existence of these phenomena not only causes production development to have no relationship to the needs of domestic and foreign markets but is also unfavorable in guaranteeing

the increase of state revenues. For this problem, which affects total economic construction, each of us comrades engaged in economic work must give his high degree of attention.

The improvement of economic benefits is not a concrete business type of work, but neither is it a matter of no importance. It is a question whether or not each economic department and each enterprise can carry out construction properly following the correct direction and policy established by the party Central Committee. Bringing order out of chaos on a total basis and correcting the past "leftist" errors, the party Central Committee has made the decision, since the 3rd Plenary Session of the 11th party Central Committee, make to further readjustment of the national economy and to emphasize that all economic work must be focused on the improvement of economic benefits. This represents a basic change in the guiding ideology and policy of our economic work. It requires that we must correctly handle speed and benefit, microeconomic benefit and macroeconomic benefit, and other relationships when we are engaged in economic construction. In the various links of the production, construction and circulation areas, and with the prerequisite of continuously improving economic benefits, we must guarantee quality, increase output, lower consumption, increase surplus profits, eliminate various types of waste phenomena, accumulate construction funds for the state and strive to satisfy the increasing needs of the people. Not only is it necessary for each enterprise unit to improve economic benefits but it is also necessary to seek economic benefits for the entire society. This guaranteeing the smooth progress of priority construction projects of the state, guaranteeing the rational increase of state revenues from year to year, and properly establishing a foundation for our future economic vitalization.

Improving economic benefit cannot be accomplished without effort. Raising prices arbitrarily or other crooked means would not accomplish it either. Real efforts must be made in promoting technical advancement and scientific management. This is particularly true for Shanghai where, in order to accomplish the requirements of "internal coordination, external expansion, reconstruction and development," even greater efforts must be expanded and greater results achieved in improving economic benefit. We have nearly 400,000 industrial and mining enterprises in our country. Our economic force is not weak. However, the relative backwardness in production technology and management in many enterprises is seriously affecting their ability to improve their economic benefit. A very large potential exists in our country for improving economic benefits through technical advancement and scientific management. For instance, from the standpoint of technology, the energy-resource utilization rate in our country is only about 30 percent, far below that in developed countries. The production value produced by 10,000 tons of energy resource is only equivalent to about one-third of that of developed countries. From 50 to 80 percent of the scientific and technological achievements abroad are applied to production. For us, it is only about 20 percent. Economic benefits have not been fully developed from a very major part of our scientific and technological achievements. From the standpoint of management, the potential

for improving economic benefits is also very large. Although a great deal of old equipment exists in the industrial and mining enterprises in our country, there is also a substantial portion of advanced or relatively advanced equipment. If we can adopt new technology and strengthen scientific management widely, production will undoubtedly increase on a large scale. There is much work to be done in this area. One of the important tasks is to fully develop the influence of the many scientific and technical personnel and management personnel--to effectively organize their knowledge and technical capabilities so their active influence will be brought into play in improving economic benefit.

This should be the year of improving economic benefits. We must closely unite with reality, conscientiously study the "Government Work Report" of Premier Zhao Ziyang, make full use of achievements, correct weaknesses and move forward firmly and with great effort. We must take hold of things from month to month and take hold of the various links in production and construction so that a notable improvement will be made this year in the economic results of the various departments and various enterprises.

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CSO: 4006/665

## ECONOMIC MANAGEMENT

### 'TO EACH ACCORDING TO HIS WORK' CONCEPT EXAMINED

#### Phases and Laws of Development

Shanghai SHEHUI KEXUE in Chinese No 6, 15 Jun 83 pp 9-11

[Article by Wang Guoping [3769 0948 1627], of the Economics Editorial Office of Shanghai People's Publishing Company: "The Phases and Laws of Development of the Socialist Principle of 'To Each According To His Work.'"]

[Text] Socialist society is divided into two periods--one in which socialism is undeveloped and one in which it is developed; socialist production relations become progressively more perfect and mature. Given this fact, then, is there a process of development for socialism's "to each according to his work?" In my opinion, "to each according to his work" has two different stages of development. The present article is an attempt to discuss the phases and laws of development of "to each according to his work."

#### I

Marx established the scientific theory of "to each according to his work" on the fundamental principles of exposing the exploitative nature of the capitalist system, refuting Lassalle's "no discount of labor income," and criticizing the persistence of the views of utopian socialism on socialist distribution. "To each according to his work" is both a theory of distribution in capitalist society and a call to workers to struggle against capitalists and establish a program of combat for the socialist new society. Today, "to each according to his work" has already become a reality in a number of countries. Still, theory must glean experience from practice, be supplemented and modified in accordance with real situations and continue to develop through practice. The Marxist theory of "to each according to his work" was propounded and based on socialism as it was established in countries where capitalism was highly developed. This type of distribution according to work was adapted to the public ownership of means of production and the modes of production and exchange of the above-mentioned form of socialism. By contrast, the society arising in the present stage of socialism is doing so in countries where capitalism is not developed--especially our nation, which went from a semicolonial, semifeudal society (passing through New Democracy) directly into socialism. For this reason, there is a great difference between



the present stage of socialism and that envisioned by Marx. To compare the two, the socialism envisioned by Marx was developed socialism, while the present stage of socialism is nondeveloped socialism. These are two different periods in the development of socialism, each with different degrees of maturity and special characteristics. In accordance with this, there are also two stages of development of distribution according to work: namely, distribution according to work under nondeveloped and developed socialism respectively. The former is the initial or elementary stage of distribution according to work, while the latter is the second or advanced stage. The elementary stage is an incomplete or immature one while the advanced stage is a complete, mature form of distribution according to work.

II

There is both a relationship and a difference between distribution according to work under developed socialism and nondeveloped socialism. Their common point is that they are both based on socialist public ownership of the means of production; and, in principle, in both there is distribution according to work in which those who work more receive more, those who work less receive less and those who do not work do not get. However, there is a great difference between the two as well: the latter is an incomplete, impure form of distribution according to work and the former is a complete, pure form. The specific manifestations of each are:

Distribution according to work in nondeveloped socialism is partial in scope, wherein a wage is determined based upon the value which the laborer creates for society (in agricultural people's communes this is primarily in the form of goods, but also includes currency). The laborer sells a commodity for currency in order to acquire the consumer goods needed for daily life. Under such an arrangement, distribution to the laborer is carried out in accordance with the existing nature of the enterprise. In state enterprises distribution is carried out for staff and workers within the purview of unified state planning. The level of wages for them is determined according to the gross income of the whole of state enterprises. By contrast, collective enterprises have independent economic organization, independent accounting, sole responsibility for profits and losses, and distribution takes place within the purview of the collective itself. Obviously, income levels for state enterprises and collective ones are different; consequently, there are differences in distribution. For this reason, even workers at identical levels who belong to enterprises of different natures may have different incomes. It goes without saying that collective units with differing production conditions and different amounts of productive force and income have workers whose distribution differs. (This is even more obvious in agricultural communes. In terms of a laborer's wages, not only do means of production influence agricultural production, but such natural conditions as soil fertility, climate and geographical factors can have a



considerable effect on it.) Thus, even for staff and workers of state enterprises—owing to the fact that these enterprises are relatively independent, have profits which differ within the organization, and have the right to distribute earnings (as in the case of prizes which are distributed in accordance with profits which exceed quotas within the enterprise),--workers whose work is the same but whose enterprises' actual incomes differ may have different incomes. That is to say, distribution according to work in nondeveloped socialism is not yet at the point where equal work brings equal rewards.

Also, under nondeveloped socialism, the income of an enterprise appears as value and profits, and the size of value and profits is not entirely decided by workers' work, but must also include such factors as the magnitude of value which has been determined and prices. Since the magnitude of value is determined by the work society requires which is not necessarily the same as actual work, "exchange of goods of equal price exists only on the basis of averages and not in each individual case." (Selected Works of Marx and Engels, Vol 3, p 11). Thus value may fluctuate, as may the way price affects the value and profits an enterprise actually realizes, consequently affecting distribution according to work for workers. In this way, even when workers have put forth an equal amount of work, since the amount of value created and the amount of profit achieved may differ, the distribution of income may differ as well. This is to say, in nondeveloped socialism "to each according to his work" has not yet reached the point at which equal amounts of labor are completely interchangeable.

Finally, even where workers put forth equal effort, create equal value, and achieve equal income, still, in nondeveloped socialist distribution according to work it is a wage system which is in effect in industrial enterprises at the state and collective level. Workers are paid a wage in cash of a certain amount and must then go out and make purchases in order to get the consumer goods which they need for their daily life. As I mentioned above, cost of commodities always deviates from their value, and equal-value exchange only exists as an average. Thus, workers may not always be able to acquire the same amount of consumer goods as others doing equal work. This is to say, distribution according to work in nondeveloped socialism has not yet reached the point at which equal amounts of labor result in the acquisition of equal amounts of goods. In terms of agricultural workers, although they primarily receive distribution in kind, they do acquire some commodities by exchanging them, so that they do not always get the same amount of commodities as other workers of equal labor.

Developed socialist distribution according to work is that carried out within the purview of society as a whole, based upon the real amount of work supplied by a worker to society, wherein an equal amount of labor can be used to purchase an equal amount of consumer goods through work vouchers. In such an arrangement, there is no difference between state enterprises and collective ones, nor is there compartmentalization of profits within an enterprise. All of society is one huge factory--a

voluntary association--and distribution is carried out within the purview of society as a whole without any discrepancies between different enterprises. Society determines the amount of funds for consumption according to the work and products of the enterprises of society overall, then afterward carries out distribution according to the actual amount of work which a worker supplies for society. Because of this, a worker need only supply a certain amount of labor to society to achieve an equal amount of income, and work and recompense are equivalent.

At that time, labor does not lead to the formation of value and profit, and distribution of income is not carried out on the basis of the value and profit which a worker creates. There is no longer the contradiction or discrepancy between the actual amount of labor a worker supplies and the amount of labor realized and received by that worker. This is because, at that time, production of an enterprise is arranged in a coordinated fashion by society; and since society can arrange the work of society and the worker consequently can generally always see his work realized. In this way, all a worker need do is supply his labor and he can acquire an equal amount of income--which is to say that there is a truly equal exchange of labor.

At that time, distribution according to work no longer takes the form of wages but rather the form of value-free work vouchers, which is direct distribution without exchange. Marx said that the worker "receives a voucher from society which vouches for the labor he has supplied (minus the work he has done for social funds), and he relies upon this voucher to requisition from society's store of consumer goods a part equivalent to the amount of labor he has supplied." Marx also says, "This is the same principle as adjusted commodity exchange (that is, exchange of value)" but "there is no longer any contradiction between principle and practice." That is to say, at this point the elements of value and price have been eliminated and there truly is "a fixed amount of labor" and "another form of exchange equal to that amount." (The above is all taken from Selected Works of Marx and Engels, Vol 3, p 11) Thus an equal amount of labor yields an equal amount of commodity.

In short, in nondeveloped socialist distribution according to work, owing to factors extraneous to strict distribution according to work--namely, means of production, value, price and even the effects of natural conditions--there are still unequal and illogical points. Therefore, this incomplete, immature distribution according to work is a low level of distribution according to work. And only with developed socialism can distribution according to work be complete, mature and strictly significant. Since all extraneous factors have been eliminated, it can purely distribute consumer goods to individuals according to their work and truly achieve equal work for equal recompense, wherein an equal amount of work can acquire an equal amount of commodity. Consequently, it is a comparatively equitable and logical form and an advanced stage of distribution according to work.

### III

Why then is nondeveloped socialist distribution according to work incomplete and immature, while developed socialist distribution according to work is both complete and mature? What has brought about the discrepancy?

1. The system of ownership in the two stages is different, thus determining the difference in the purview of nondeveloped and developed socialist distribution according to work. Marx says: "Any kind of distribution of consumer goods is nothing more than the result of the production conditions of that distribution." (Selected Works of Marx and Engels, Vol 3, p 13). There are two aspects to the idea of production conditions: one is ownership of means of production, the other is ownership of manpower, which is what Marx calls the human conditions. In terms of the stages of distribution according to work, ownership of means of production is primary and decisive, since ownership of manpower is the same in both nondeveloped and developed socialism, and, according to my understanding, basically belongs to the worker. Yet, there is a great discrepancy in the ownership of means of production. The difference between nondeveloped and developed socialist distribution according to work is fundamentally brought about by this point. That is to say, there are two forms of public ownership of means of production in non-developed socialist society--namely, public ownership by all and collective ownership. Both are forms of public ownership, but the degree of that ownership is different, as is their purview. In addition, even in stage enterprises there is compartmentalized profit due to rights of control over means of production, rights of direction and of utilization. For this reason, the two forms of public ownership and the lack of completeness and maturity in ownership by all the people have brought about the difference between the purviews of state enterprise and collective enterprise as well as the difference between the levels of distribution of every enterprise. Since in developed socialism these two kinds of public ownership do not exist and ownership is a unitary one by all the people, the entire means of production belongs to society as a whole and for every enterprise and every worker the means of production is equally public property. Also, there are none of the divisions between people brought about by the compartmentalization of profits. For this reason, distribution according to work in developed socialist society is comprehensive and, therefore, complete.

2. The difference in the socialist quality of production and exchange determines why, in nondeveloped socialist society workers cannot truly get equal exchange for their work while they can in developed socialist society. This is to say, since there are two forms of public ownership and their causes in nondeveloped socialist society, what is carried out is the production of commodities and their exchange. This determines why the work of a worker is not directly the work of society; and workers must exchange commodities and only then exchange labor. In this way, then, does the situation caused by price and value factors analyzed above come about--a situation wherein workers put forth an equal amount of labor,

Since production conditions differ and labor-production rates vary, it follows that different values and realized profits are created, with the result that workers cannot truly attain equality of exchange for their labor. By contrast, in developed socialist societies where there is a unified system of ownership by all the people, there are not different owners of the means of production, and commodities belong to society as a whole. As a result, when nondeveloped socialist production and exchange of commodities is replaced by developed socialist production and exchange of commodities (or by direct production and direct distribution), the labor of a worker will no longer be perverted into appearing as value but will be employed directly as an expression, computation and weighing of that labor. In this way, developed socialist distribution according to work will eliminate the phenomenon of nondeveloped socialism in which workers in different enterprises cannot truly equally exchange their labor due to the factors of value and price; and it will truly attain equal exchange of labor.

1. The difference in the modes of distribution between nondeveloped and developed socialist distribution according to work is also determined by the socialist nature of production and exchange. Nondeveloped socialism employs a cash wage form of distribution, which is determined by the fact that commodity production and commodity exchange still exist. In this situation, workers cannot directly acquire consumer goods without paying their price, but must purchase them by exchanging them for an equal value price. Currency is the medium of commodity exchange, and as a result of this, commodity production and commodity-exchange determination of distribution according to work must take the form of a cash wage. In other words, society uses a specific amount of currency to represent the amount of labor a worker supplies for it, and the worker can only attain the consumer goods he needs by using this currency. This means the worker cannot in fact always acquire an amount of consumer goods equal to the amount of labor he has supplied. Consequently, the worker is as of yet unable to truly acquire products equal in amount to his labor. At the time when developed socialist society is reached, since commodity production and exchange no longer exist, then there is no longer any currency, and so there is no longer a need for a cash wage for distribution according to work. Therefore, society can use worktime to directly evaluate the work of a worker and adopt a work voucher form instead which certifies how much labor a worker has supplied to society. From then on workers can rely on these work vouchers to acquire the consumer goods they need in an amount equal to their labor and truly get an equal amount of products for their labor.

#### IV

Although there are shortcomings in the elementary stage of distribution according to work as it exists in nondeveloped socialist distribution according to work, this is a historical necessity and a stage in the development of distribution according to work which cannot be done without. We should note that the elementary stage of distribution according to



work which cannot be done without. We should note that the elementary stage of distribution according to work is based on the establishment of public ownership of the means of production and that, in principle, by emphasizing distribution according to work, the possibility of anyone making use of the means of production to exploit the work of another person has been eliminated. This is a great step forward in human history. As Engels pointed out: "As long as distribution is conducted purely according to economic considerations, then it will be regulated by the interests of production; and the best way of promoting production is the mode of distribution which allows all of the members of society to develop in all areas as much as possible and to preserve and make use of their own abilities." (Selected Works of Marx and Engels, Vol 3, p 240)

The elementary stage of distribution according to work really does fit the production force and workers' ideology and nondeveloped socialism and brings the positive nature of the work of workers into play to the greatest extent. It forcefully promotes the development of the productive force of society and creates the conditions for nondeveloped socialism to become developed socialism. We should also note that when productive force has developed to a certain advanced degree and there has been considerable automation and socialization of production, the products of society will grow richer without cease. Especially when the degree of transfer to public ownership of the means of production and the level of ideology of the worker have been greatly raised, a contradiction will occur between elementary distribution according to work and the development of production within society--especially in that factors extraneous to distribution according to work which greatly affect the realization of the transfer to public ownership of the means of production and the positive nature of the work of workers will come fully into play. In this way, the elementary stage of nondeveloped socialist distribution according to work should, and certainly will, develop to the advanced stage of developed socialist distribution according to work. At such a time, the realization of developed socialist distribution according to work will take place completely and thoroughly, since those factors extraneous to distribution according to work will have been eliminated, thus forcefully ensuring that the transfer to public ownership of the means of production will be realized and giving full reign to the superiority of the socialist system. This will bring the positive nature of the work of workers even more fully into play and consequently spur an even more rapid development of the productive force of society.

Finally, it must also be pointed out that even though developed socialist distribution according to work is even more superior than nondeveloped distribution according to work, it will still have certain unavoidable drawbacks. In other words, distribution according to work admits individual ownership of labor and tacitly admits the natural prerogatives of an individuals' endowments and labor abilities. It admits as well to a differential of compensation for different amounts of work of workers. And even if workers receive equal reward, and owing to the fact that the family responsibilities of individuals differ, their real levels of well-being in daily life may differ. In essence even while, in form,

distribution according to work is equitable, there are still in actuality capitalist rights and privileges which exist. As the productive force of society develops and the ideological awareness of people is raised, and contradictions develop with the advancing development of the production of society, the society of such a time may want to eliminate distribution according to work and realize the greatest and most venerable ideal of history--from each according to his ability, to each according to his work.

### Commodity, Currency Relationship

SHENGJIAN SHENGJI KEXUE in Chinese No 6, 15 Jun 83 pp 12-15

[Article by Wang Kezhong [3769 0344 1813], Political Economics Research Office, Fudan University: "A Discussion of "To Each According to His Work" under the Existing Relationship Between Commodity and Currency"]

[Text] Distribution according to work as envisioned by Marx was a form of distribution of individuals' consumer goods under the condition of the nonexistence of a relationship between commodity and currency, while distribution according to work in the practice of establishing socialism is one carried out under conditions of a relationship between the two. This article attempts to explore the common points and differences between distribution according to work where there is a broad existing relationship between commodity and currency and distribution according to work as envisioned by Marx, how the forms and systems of distribution according to work adapt to a relationship between commodity and capital, and how to utilize more fully the economic lever of value and price to realize distribution according to work.

### I

In his discussion of the economic conditions produced by distribution according to work, Marx pointed out: "in a collective society which takes as its basis the common ownership of the means of production, the producer does not exchange his own product; the labor expended in production a product does not appear either as the value of the product or as any of the material attributes such products may possess, because, contrary to capitalist society, a person's labor is no longer perverted, but is a direct component of the structure of the total of labor which exists."<sup>1</sup> Clearly, the direct economic conditions produced by distribution according to work as envisioned by Marx are: First, all of society owns all the means of production, a system of ownership by all of society is in effect, and each member of society as a whole equally owns the means of production. Second, taking direct socialization of labor as a premise, the labor of a production unit and of each individual manifests itself directly as the labor of society overall. Third, no relationship exists between commodity and currency, and the labor expended in the production of commodity does not appear as value. Finally, an extremely important and yet indirect economic condition exists: namely, a high level of development of productive

force. Marx studied this question against the historical background of the England of that time, where capitalism was rather well-developed and few farmers were engaged in individual farming. As a result, when the proletariat acquired political power, both industry and agriculture were to be largely the product of capitalism, and society could gain control over all of the means of production to bring about a system of ownership of the means of production by society as a whole. The above-mentioned economic conditions determine the following special characteristics of distribution according to work as Marx envisioned it: First, the whole nation would be a production unit, and society could carry out a coordinated and direct distribution to workers. There would come about a direct relationship between workers and society (through national representatives), and "after various deductions, a worker can receive back everything he gives to society."<sup>2</sup> "Equal labor will acquire equal production" was to be carried out.<sup>3</sup> Second, worktime would be the uniform measure of distribution throughout society. Worktime--the work of a worker "quantified according to a single measure--his work"<sup>4</sup>--would be "the measure for quantifying an individual producer's portion of the common labor, and consequently the measure for quantifying an individual producer's portion of consumer goods from that part of the common products."<sup>5</sup> Third, a system of work vouchers would be put into effect. Work vouchers were not currency, but "merely to prove the individual producer's portion of participation in the common work and the portion of the common products from that part supplied as consumer goods he should receive."<sup>6</sup> This is the model for the idea of distribution according to work.

Socialist establishment in practice and Marx's vision of it are not entirely the same. They coincide in one aspect--the establishment of public ownership of the means of production. In this, the people as a whole, by their ownership of the means of production, control the most important of them and control the economic lifelines. This system of ownership and the one discussed by Marx are identical. Collective ownership is a form of public ownership in which a portion of the mass of workers own the means of production in common. This form of ownership and that by all of the people equally eliminate the exploitative relationship of relying on rights of ownership of the means of production to acquire another person's labor free of charge. At the same time, owing to the establishment of the system of ownership by all the people and the employment of a planned economy, along with the fact that collectively owned enterprises accept the leadership of an economy owned by the people as a whole, the work of workers to varying degrees appears directly as the work of society. These points explain how our nation is fundamentally qualified to carry out the economic conditions of distribution according to work as it was envisioned by Marx. Yet we must also take note of the important differences between the two: one is society owns only a part of the means of production, and equality of ownership of means of production by all the members of society has not yet been completely carried out. Society's ownership of the means of production takes the form of national ownership; and this is an immature form of ownership by all the people. Other means of production are owned by collectives; and this is a rather low-level form of transfer to public ownership. For another, the relationship between commodity and

currency still exists, and the labor expended to produce goods still manifests itself as value. This is directly determined by the situation of public ownership of means of production discussed above. A third difference is that society as a whole is not a distribution unit. The work of an individual does not completely and directly appear as the labor of society or become a structural part of the total work of society. A fourth is that the productive force is multileveled and development takes place at these various levels in a very imbalanced way. Outside of major production, which is highly socialized, there still exist intermediate and minor production, which are comparatively low in socialization. Of these differences, the most important is the condition of distribution according to work as envisioned by Marx in which there exists no relationship between commodity and capital and which takes as its premise the fact that labor is socialized directly. Are these important differences likely to affect the form and concrete system of distribution according to work?

The mode of consumer distribution of any society as discussed by the writers of the classics of Marxism is determined by the following economic conditions: first is the distribution of the conditions of production. Marx pointed out that "any kind of distribution of the means of subsistence is nothing more than the result of the distribution of the means of production itself."<sup>7</sup> The distribution of the conditions of the means of production includes distribution of conditions of material production, which is the distribution of conditions of ownership of the means of production and of human production, which again is to say the status of workers, the relationships between workers and their development. A second condition is the quality of the productive force and the level of its development.

As Eng is pointed out, "The mode of distribution in essence must be determined by the amount of products which can be distributed."<sup>8</sup> A third is the mode of exchange of products. Engels pointed out that distribution of products "is determined by what is produced, how it is produced, and how those products are exchanged."<sup>9</sup> Together these economic conditions determine the mode of distribution of consumer products under any set of specific economic circumstances. Of course, these conditions have points of emphasis in how effective they are in determining modes of distribution. The first condition is the most important, and determines the basic type of distribution of consumer products (whether or not it is exploitative in form) and the mode of distribution of a specific society. The effect of the relationship between the nature and level of productive force and distribution is brought about primarily via ownership of the means of production and, therefore, is mainly incorporated within the proposition of the distribution of the conditions of production. After the basic type of consumer product distribution and the mode of distribution of a particular society have been set down, then a different level of development and mode of exchange of productive forces with set characteristics can have a considerable effect upon what system of distribution actually develops for that mode of consumer product distribution, and what is the measure and method of calculation for it. Therefore, the above-mentioned



great differences must have an influence on the mode of distribution according to work. It is our task to establish a model of distribution according to work which is congruent in its basics and yet different in its special characteristics from distribution according to work as it was envisioned by Marx.

## II

The system of distribution according to work as it has been carried out in our country has taken these differences into account, e.g., in the systems of currency wages and of distribution of work credits in collective agriculture economics which have been implemented. However, such considerations have not weighed heavily enough. In precise terms, we have not adapted fully to the real economic condition of a relationship between commodity and capital; nor have we fully utilized this relationship to correctly implement distribution according to work.

First of all, in the matter of making work directly and completely the work of society and in the matter of directly calculating work according to worktime. The present wage system is based on the idea that "a person's work should not be distorted, but should exist as a structural part of the total work of society directly."<sup>10</sup> Once this tenet is set, then the only thing that counts is how much work has been supplied, without reference to whether that work is congruent with the needs of society, nor even less whether or not it is economically efficient. That is to say, one need only devote oneself to production even if it is wasteful and inefficient and even if no one needs the resulting product. It is equally the work of society and entitles one to a share of consumer goods. This is to deny that the labor expended to produce goods under the socialist system takes the form of value, and must consequently give rise to the following three problems. First, rewards of labor and the results of a worker's labor become more and more disjointed, and workers pay less attention to whether their work has any material benefit. Second, labor estimates are extremely inaccurate. Under the existing relationship between commodity and capital, making labor estimates becomes difficult without the aid of the economic levers of value and price, without paying heed to the importance of (material formation) in calculating labor, if one relies entirely on worktime and the adoption of a floating labor [liudong xingtai laodong 3177 0520 1748 1966 0525 0520]. Third, the mode of distribution becomes stifflingly oversimplified. Directly employing worktime to calculate work puts undue emphasis on payment by the hour to the point of overlooking or denying piecework and incentive modes of distribution for a time. These problems lead unavoidably to a situation in which the workers eat "from the big bowl" of the enterprise, and create a situation wherein there is egalitarianism in the distribution of consumer goods.

Next, to see the ownership of enterprise by all the people as a unit of distribution, with the nation directly and in a unified fashion carry out distribution among workers. The present wage system takes as its premise the idea that ownership of enterprise by all the people is a production

of distribution unit; and the wage system--including wage standards, physical and technical skill, conditions of dissemination, wage adjustments, and expenses--are set in a unified fashion by the nation, and are subject for the rights of management and administration and economic power to which should accrue to the producers of commodities in those enterprises. This is to deny that enterprise owned by all the people under collective ownership is a relatively independent producer of commodities. Consequently, it appears that worker compensation and the results of an enterprise's production and management are out of joint, while unified national distribution does not take into account adequately economic efficiency and management results. The enterprise loses the strong internal impetus of its commodity production, and thus fail to self-consciously carry out economic accounting, to improve management and administration, to adopt advanced science and technology, or to upgrade its ability to compete. Enterprises lack the power they should have to allocate consumer goods to individuals. These enterprises lead unavoidably to a situation in which workers eat "from the trough" of the enterprise, bring about egalitarianism between enterprises, and further aggravate egalitarianism between workers.

Finally, to stress pure distribution according to work, transferring distribution methods of ownership by all the people to collectively owned enterprises. The wage system under urban collective ownership enterprises is basically set forth on the model of similar enterprises under private common ownership by all the people. In addition, levels of wages, incentives and benefits tend to be "a cut lower" than those for private enterprises, so that even though their management results are higher than private enterprises they cannot take the chance of going any further. Enterprises under collective ownership which basically are distribution according to work but which also have some nondistribution according to work elements have been eliminated. Enterprises under collective ownership in rural areas which rely on manual labor to control draft animal tilling have stressed manual labor [3177 0520 1748 1966] in calculating labor and engage in pure distribution according to work, etc.

This weakens the effect of the economic lever of labor for remuneration, and is an important cause of egalitarianism. Therefore, to reform the wage system of distribution of consumer goods--especially the wage system of enterprises owned by all the people--we must begin by solving these problems and establish a form of distribution according to work which is suited to the broadly existing condition of a relationship between commodity and currency.

### III

The form of distribution according to work under existing conditions of commodity production and exchange are basically uniform with distribution according to work as it was envisioned by Marx; yet at the same time there are important differences and unique features to it as well.

First, two separate measures for the "work" in distribution according to work should be adopted; and equal-amount work should be integrated with equal-value work. In socialist society with the existing situation of commodity production and exchange, labor does not yet completely appear as the labor of society, and the labor expended to produce goods still takes the form of value. Generally it is at the outset the work of society in a partial sense within the enterprise, and only afterward does it transform into the work of society as a whole. As far as enterprises under collective ownership are concerned this is obvious. As far as enterprises owned by all the people are concerned, the work of workers is the joint work of society as a whole and the degree of its socialization is rather high. Yet owing to the fact that it is still a relatively independent producer of goods, the work of workers has the character of the work of society only to a certain extent and is not identical with the work of society. The work of the worker first manifests itself as the work of society in the partial sense of enterprise here as well; and before it can transform into the work of society as a whole it must undergo the intervention of that mysterious "value"--that is, commodities are exchanged. As Marx noted, "the human labor expended on commodity can be counted only after it takes the form of an expenditure useful to others. Nevertheless, whether labor is of value to others or not and whether the commodity such labor produces can satisfy others' needs is something which can be proven only through commodity exchange."<sup>10</sup> The fact that a commodity gets sold is the final proof that this kind of work is adapted to society's needs, at which point it becomes transformed into the work of society--a structural component of the total work of society. Under these economic conditions it becomes difficult to compute directly the amount of labor based on the amount of work a laborer provides. It is also inaccurate. Therefore, the "work" in distribution according to work should be counted in accordance with two interconnected yet different measures. On the one hand, in the case of public ownership of the means of production, and especially ownership by all the people, the work of a worker has the character of the direct work of society to a certain degree, and consequently the work a worker supplies--still known as social average labor--should be counted directly. On the other, in the case of socialist commodity production and exchange based on public ownership of the means of production in which the work of a worker is not yet completely or directly the same as the work of society, that work still takes the form of value, and consequently the measure which takes into account its average necessity to society should be utilized--one which calculates labor by converting it for each individual enterprise's expenditure of labor based on the value derived from the exchange of its commodities. However, wherever a laborer has expended his labor but the product he has produced does not fit society's needs, is not sold, accumulates in warehouses, or even deteriorates, then the value of such a commodity remains unrealized and the labor expended to produce it must be seen as having been useless and untransformable into the labor of society. Even labor which is suited to society's needs is by no means an expenditure of labor of an individual enterprise which is directly equivalent to a portion of the total labor of society; it still must pass through the "conversion" process of commodity exchange. The first of these measures of "work" is the basis for calculating the amount of work a worker does and reflects a relationship of equal exchange of work amount between workers within the realm of public ownership.

It must also undergo the test of the second kind of "work" to correct and supplement the amount of labor calculated according to the first measure with the help of the levers of value and price. The second measure of "work" appraises the amount of labor indirectly via commodity exchange, and this amount of labor is the combined amount supplied by the workers of an enterprise. Socialist production is a combined labor mode of production. Workers do not produce commodities on their own, but are organized into enterprises to do so. The enterprise is both a relatively independent producer of commodities and an "overall worker." Cooperation with the enterprise can give rise to new productive force; and the work of management and administration can have a profound effect on the economic efficiency and management results of the enterprise. These facts call for the enterprise to be considered as a whole in computing the amount of labor. Conversely, if the fact that the enterprise is a relatively independent producer of commodities is overlooked and the economic efficiency and management results of an enterprise are not taken into consideration, it is difficult to calculate the amount of labor a worker provides objectively and scientifically. Therefore, to use the second measure to test, correct and supplement the first in order to compute the amount of labor is well-suited to the real situation in socialist society. Of course, since the second is a measure of the average amount of work which society must have, it incorporates not only the worker's subjective production conditions but objective ones as well. Therefore, when conversion is done, resourcement policies should be set and necessary steps taken to eliminate the influence of those labor results which are brought about by such objective factors as have their origin in more and better means of production, natural resources, geographic location and transportation conditions, etc., so as to give expression to the equality of relationship which workers have wherever the means of production. In this way, it can fundamentally reflect the amount of labor which a worker in an enterprise actually provides. Obviously, it is only by using these two measures for computing "work" while holding fast to equal exchange of labor can we more accurately appraise the amount of labor and better bring about distribution according to work.

Second, to implement bilevel distribution within the economy of ownership -- all the people and to coordinate national distribution to staff and workers with that of enterprises. Enterprises which are owned by all the people are relatively independent producers of commodities and as a result are economic cells with certain economic powers and benefits, full of a life of their own and able to make self-adjustments. Production determines distribution, and since enterprises are relatively independent production management units, they must necessarily be relatively independent distribution units as well. Workers acquire their status first and foremost by their membership in the integral body of the enterprise--they join together to become a producer of commodities; and the labor of each person is an organic part of the total labor of the enterprise. The enterprise is the basic level of the economy owned by the people as a whole as well. An enterprise has a dual nature: with regard to its relationship to the nation, it represents the welfare of the workers who make it up as a unit;



with regard to its relationship to individual workers, it represents the welfare of the nation. Therefore, to regard an enterprise as a relatively independent distribution unit is suited to the real situation of socialism. Distribution according to work is first of all distribution by the nation to the workers. This is the initial administrative level of distribution. In this instance, the "work" of distribution according to work refers to the quantity and quality of labor directly supplied by the worker. Its computation unit is that of the unified national standard wage--social average labor. The nation determines the basic wage levels for every line of work in accordance with the production tasks of an enterprise and advanced, reasonable quotas set by social average labor, then fixes the basic wage section of a worker according to staffing levels. The basic wage section of an enterprise's workers is a component part of the total wage quota, which we can represent as  $V_1$ . In order to do a good job at this administrative level of distribution, the enterprise must single out in-house "small-collective" labor organs which can relatively freely reflect amounts of labor as core units. At the same time, it must strengthen the basic work of managing quotas and the related testing, estimating and statistics systems in order to facilitate as much as possible accurate calculation of the amount of labor. Next, there is distribution to staff and workers of an enterprise. This is the second administrative level of distribution. This is fixed by the nation based on the second measure after making indirect calculations of the value realized from the exchange of commodities. This is the floating part of an enterprise's total wage quota, which can be represented by  $V_2$ . The floating part of wages is determined by an enterprise's economic efficiency and management results. Investigation based upon the synthesis of administrative levels one and two of distribution results in a floating distribution system joining total enterprise wage quota ( $V_1+V_2$ ) with that enterprise's economic efficiency and management results. The nation allows an enterprise's total wage quota to float to a certain extent according to its economic efficiency and management results. For the floating part of wage, the enterprise can determine its own concrete methods of distribution, partly in the forms of raises and bonuses, within limits set by government policy. Thus under normal circumstances, the basic wage and wage quota of an enterprise will go up year by year as the labor-production rate goes up. In order to do a good job at the second administrative level of distribution and ensure that the nation comes first, followed by the enterprise second and the individual third, linked indicator systems, float limits and core procedures which truly reflect the economic efficiency and management results of every enterprise must be fixed in order to eliminate the uneven phenomena brought about by the influence of arbitrariness of price systems and other objective factors. The economic responsibility system put into effect in our country in the past few years for ownership of enterprises by all the people with its various economic indicators of joint production, joint profit and joint relations is a production management and administrative system in which rights, responsibilities and benefits are intimately related. From the standpoint of distribution, this system puts production and distribution into close connection, as it does also labor compensation, the labor a worker supplies,

and the management results of an enterprise. Consequently, an essentially bilevel administrative distribution tendency has begun to develop. This is an important change in our nation's system of distribution. The advantages of putting bilevel distribution into effect are many. From the broad perspective, the nation can pass important wage standards, wage levels, base wages, and the extent to which floating wages can float and make planning adjustments of wages, and thereby accurately manage the proportionate relationship of accumulation to consumption. This will be of benefit in managing accurately the material benefit relations between the nation, the enterprise, and the worker and will fundamentally eliminate equalitarianism between enterprises. In the narrow perspective, when the enterprise has become a relatively independent distribution unit--with the premise of compliance with the relevant national regulations--and has the right to select the mode of compensation which accords with the enterprise's real situation and the special features of each type of labor, and also the right to distribute total wage quotas in a flexible fashion based on the real labor contribution of the worker, then we can eliminate the abuses of the past when the nation was stiflingly overcentralized and overadministered--especially with regard to equalitarianism between workers. In this way, distribution of consumer goods to individuals can become a powerful tool to spur the development of production.

Third, distribution according to work where there is collective ownership--especially agricultural collective ownership--of enterprise should not be done too purely, in order to permit a combining of distribution according to work factors and others which to a certain degree are extraneous to distribution according to work. Collectively owned enterprises are completely free commodity producers with full responsibility for profits and losses. The levels of development of their productive force and the degree of their socialization is much lower than that for enterprises owned by the people as a whole, which determines why there should be even more special characteristics of its distribution according to work which contrast with distribution according to work as Marx envisioned it. It should be more flexible and not carried on so purely, which is to say that it can have more of the special characteristics of equal-value exchange. As far as urban collective ownership of enterprise is concerned, there should be ways to rescind the fact that they are "certainly the property of all the people" to permit them to link labor compensation, the amount of labor a worker provides and the economic efficiency of the enterprise within the bounds set by relevant government policies and laws, so that they can autonomously fix the form and system of distribution according to work. As far as levels of distribution are concerned, they may surpass those for similar state enterprises, and certain enterprises should be permitted to put into effect distribution systems based upon distribution according to work which have certain extraneous factors as well. As for enterprises under agricultural collective ownership, attention should be paid to certain special characteristics produced in agriculture, such as the fact that the object of labor is a living thing, it requires constant attention, the production period is rather long, almost no goods are formed in the interim, there is diversity between the production period

and the labor period, etc. Thus it is even more difficult to compute the amount of labor in agriculture by completely relying upon mobile labor forms and doing so by relying upon material formation labor has especially important significance. Therefore, distribution according to work in enterprises under agricultural collective ownership--especially in the matter of computing labor--should be adapted to these special features of agriculture and they should be permitted to put into effect distribution systems based upon distribution according to work which, to a certain degree, possess elements extraneous to it. The various labor-contract responsibility systems being carried out in the countryside, from the standpoint of distribution, are an important measure for reforming consumer product distribution to individuals in the rural collective economy. More advanced practice and exploration in this regard is anticipated.

#### FOOTNOTES

1. Marx, "A Criticism of the Gotha Program" "Selected Works of Marx and Engels," Vol 3, p 10.
2. Ibid., pp 10, 11.
3. Ibid., pp 10, 11.
4. Lenin "The Nation and Revolution," "Collected Works", Vol 25, p 453.
5. Marx, "Capital," Vol 1, pp 95, 95.
6. Marx "Capital," Vol 1, pp 112, 113.
7. Marx, "Criticism of the Gotha Program," "Selected Works of Marx and Engels," Vol 3, p 13.
8. Engels, "To K. Smith (5 Aug 1890)" Ibid, Vol 4, p 475.
9. Engels, "Anti-Duhring" p 264.
10. Marx "Criticism of the Gotha Program", "Selected Works," Vol 3, p 10
11. Marx "Capital," "Complete Works of Marx and Engels," Vol 23, p 103, 104.

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## ECONOMIC MANAGEMENT

### RENMIN RIBAO ON ENTERPRISE RESPONSIBILITY SYSTEM

HK241156 Beijing RENMIN RIBAO in Chinese 19 Aug 83 p 5

[Article by Jiang Yiwei [5592 0001 5517]: "Some Theoretical Questions Concerning the Economic Responsibility Systems in Industry"]

[Text] The Question Relating to the Definition of the Term "Industrial Economic Responsibility System"

Since 1981, the "economic responsibility system" has been generally adopted in industrial enterprises throughout the country and has achieved marked results. At present, we often mention the "business responsibility system." Then, what is the difference between the economic responsibility system and the business responsibility system?

According to my personal understanding, the business responsibility system can be considered as a component of the industrial economic responsibility system. Originally, the industrial economic responsibility system we often mentioned in fact includes two aspects: On the one hand, it is designed to handle the relationship between the state and the enterprises in regard to duties, rights, and benefits; on the other hand, it is related to the division of economic responsibility inside the enterprises. These two aspects are interrelated. Without the economic responsibility system between the state and the enterprises, the internal economic responsibility system of the enterprises would have no foundation. The current economic responsibility system inside an enterprise is different from the previous production responsibility system, because the current system is related to economic benefits, and it is on the premise that the relationship between the state and the enterprise in regard of duties, rights, and benefits is first clearly prescribed. Through the internal economic responsibility system, the enterprise can share out the duties, rights, and benefits among its workshops, groups, and individual workers. If the industrial economic responsibility system is merely regarded as a reform of the management system inside an enterprise rather than a major reform of the industrial management structure, the significance of the industrial economic responsibility system will be underestimated and even misrepresented. It is good to use the term "business responsibility system" at present, which refers to the relationship between the state and the enterprise and cannot be used to mention the internal relations inside the enterprise. Only the entire



enterprise, as an economic entity, can be faced with the issue of business; while workshops, teams, and groups inside an enterprise cannot do business by themselves. Therefore, inside an enterprise, only the economic responsibility system is applicable; and only the enterprise as a whole should bear business responsibility to the state, so the business responsibility system is suited only to the enterprise. Of course, various enterprises and their products have different positions and roles in the national economy, and they bear different responsibility to the state in the fields of production, circulation, and distribution, so they should have different scopes of authority in handling their business and have different business manners. That is to say, the business responsibility system for enterprises should be implemented in different forms and should not be enforced in a uniform manner.

If the above discussion is tenable, we can clearly define the terms as follows: The "industrial economic responsibility system" is a general concept and it includes two aspects: One is the "enterprise business responsibility system," which refers to the relationship between the state and the enterprise, and the other is the "enterprise economic responsibility system," which refers to the system of dividing up economic responsibility inside the enterprise. This not only gives clear definitions to the terms, but also keeps them in line with our experience gained in the previous stage.

#### The Theoretical Basis for the Enterprise Business Responsibility System

As mentioned above, the industrial economic responsibility system includes two aspects and the issue of the enterprise business responsibility system is worth discussing in terms of theory. If one agrees that the business responsibility system in varied forms can be applied under the socialist system, then he or she must answer the following several questions in theory.

The first question: Is an enterprise a relatively independent commodity producer? If not, the issue of the business responsibility system should not exist.

In the past, we adopted a highly centralized economic management system, under which the state assigned production tasks, allocated materials to the enterprises, and distributed their products, and the profits made by the enterprises should be turned over to the state and the losses incurred by the enterprises should also be borne by the state. Under this management system, in fact, the state was engaged in the centralized operation of all businesses and bore the responsibility for all profits and losses, while the enterprises acted as branches of the state administration engaged in product production rather than commodity production, and bore responsibility merely for their production rather than for their business.

Since the 3d Plenary Session of the 11th CPC Central Committee, under the guidance of the party's line of seeking truth from facts and emancipating the minds, it has been generally reaffirmed that commodity production and exchange must continue to remain in a socialist system and that full scope

should be given to the development of commodity production in an economically less developed country such as ours. This represents a major theoretical breakthrough. Since the existence of commodity production is a necessity, enterprises must naturally be commodity producers. In 1979, the state began trial measures for giving greater authority to enterprises in handling business. Since then, it has been generally accepted that enterprises should be relatively independent commodity producers. This is reasonable. If an enterprise was not a relatively independent commodity producer, it would not be able to take its products to a market for exchange, and it would not be involved in business matters.

When engaged in business activities in a relatively independent manner and bearing responsibility for its profits and losses, an enterprise, apart from carrying out the compulsory plan laid down by the state, must act as a commodity producer and take part in the exchange and competition in the market with its products. Thus, the enterprise must have certain authority so that it can decide its production and operation in order to achieve the best business results and to ensure that both the state and the enterprise itself can have corresponding economic benefits.

A socialist enterprise, as a commodity producer, is not completely independent. It has to subject its production and business activities to the limits prescribed by state decrees and to the guidance of state plans. Therefore, it is only a relatively independent commodity producer. It has certain rights, and at the same time, it has duties and a responsibility to the state and its customers. The enterprise business responsibility system (involving duties, rights, and benefits) is precisely designed to prescribe these duties and rights of the enterprise in an explicit way.

The second question: When the business responsibility system involving duties, rights, and benefits is adopted in enterprises, who should bear responsibility for business? Who should be entrusted with the necessary authority? Can the right to operate a business be separated from ownership?

In my opinion, all workers and staff members of an enterprise should undertake certain responsibility to the state in accordance with socialist principles and should, at the same time, enjoy corresponding rights and benefits. Does this business responsibility system, which involves the duties, rights, and benefits of all workers and staff members of an enterprise, contradict the ownership character of the enterprise which is owned by the whole people? This has been a controversial question in recent years. It is related to the question of how to look at the relationship between ownership and the right to operate a business. Some comrades equate ownership completely with the right to operate a business, thinking that the right to operate a business should be completely under the control of the owner of the means of production, that is to say, the right to operate a business of an enterprise can only be under the direct control of the state.

As I see it, the right to operate business should not be equated with ownership in such an oversimplified way. Historical experience shows that although ownership is a decisive factor that conditions the right to operate a business, the right to operate a business is still relatively separate from ownership, or the two sides should still be treated separately. In the history of the development of human society, an ownership system always involves different systems for business operation.

In a socialist society, the public ownership system is established and exploitation is eliminated, but the relationship between all laborers as a whole and part of them is still both harmonious and contradictory. This relationship is reflected in both ownership and the right to operate a business. Correctly handling the relationship between ownership and the right to operate a business is a central issue that we must solve in the course of the structural reform.

Under the socialist system, the part must be subordinate to the whole. Therefore, enterprises can only be relatively independent commodity producers and can only have some authority for handling business within certain prescribed limits under the unified leadership of the state. They are different from the enterprises under the capitalist ownership system and from the enterprises under the collective ownership system, because their production funds belong to the whole people who are represented by the state, so the state can exercise a high degree of control over the enterprises so as to ensure the planned and proportionate development of the national economy and to coordinate the interests of the state, the enterprise, and the workers. Under this premise, when the state entrusts some duties for business operation to all workers and staff members of an enterprise owned by the whole people, this will never affect the ownership character of the enterprise.

The third question: State leadership over enterprises and the leadership system inside the enterprises.

Since the responsibility for the business of an enterprise is borne by all workers and staff members of this enterprise under the business responsibility system, this will inevitably bring about a question of what reasonable form should be taken to effect the leadership of the state over the enterprise and what leadership system should be established inside the enterprise. In particular, the legal system in our country will be greatly strengthened. If an enterprise is a corporate body, or a legal person, in terms of law, then who should represent this corporate body to undertake legal rights and duties? This is also an actual question that must be settled after the business responsibility system is adopted.

After the business responsibility system is adopted, all workers and staff members of an enterprise will bear not only economic responsibility for the business of the enterprise but also legal responsibility. Therefore, within the scope of duties and rights prescribed by the state for an enterprise, the worker and staff member congress of the enterprise should be the supreme

enterprise should exercise the relatively independent authority entrusted in the state to the enterprise in handling business. At the same time, the enterprise still needs to have a general representative, that is, its director or manager, who represents the corporate body in doing its legal business with the authorization of the worker and staff member congress. Now, there are still two issues that need to be correctly handled: 1) How should the leadership of the party be effected through the leadership of the enterprise? 2) How should the state exercise its leadership over the enterprise? These two questions are gradually solved in practice.

All enterprises, businesses and undertakings in a socialist society must be under the leadership of the party. This is a necessary condition for advancing to the socialist road. However, the party's leadership over enterprises can assume varied forms. The party organization inside an enterprise gives ideological and political guidance to the enterprise and directs it to implement the party's policies. This is an important demonstration of the party's leadership. However, the party's leadership is not reflected in the leadership work of the party organization in an enterprise, but only in the administrative work of the superior authorities, because the whole state structure is under the leadership of the party. Therefore, the leadership of the party and the state should mainly be reflected in the leadership of the higher authorities over the enterprise. The enterprise director (or manager) has a dual position: On the one hand, he is appointed by the state (through the relevant department in charge of the enterprise) to take charge of the enterprise; on the other hand, he is subject to the leadership of the enterprise's worker and staff member congress. If a contradiction occurs between the two sides, the department in charge at the higher level has the right to adjudicate upon the case. This embodies the principle that the enterprise, representing a part of laborers, should be subordinate to the state, which represents all laborers. The party committee in an enterprise is a grassroots organization of the party, and it should ensure and oversee the implementation of the party's policies and the state's decrees in the enterprise. When the decision made by the enterprise is in line with the party's policies and the state's decrees, it should mobilize all party members to take the lead and join other workers in ensuring the implementation of the decision; but when the decision made by the enterprise violates the party's policies and the state's decrees, it should play a role as a supervisor and promptly criticize and check this decision. Of course, in principle, when a dispute occurs between the enterprise party committee and the enterprise worker and staff member congress or between the party committee and the enterprise director, the department in charge at the higher level has the right to adjudicate on the dispute. These principles have been generally stipulated in the relevant regulations that have been promulgated.

The implementation of the above principles can strengthen the party's leadership over enterprises and can also clarify the administrative relationship between the state and the enterprises. So, it is favorable to establish the position of the enterprise business system in the legal system.

The fourth question: Is the fact that the enterprises have relatively independent authority to handle their business after the business responsibility system is adopted contradict our principle of ensuring the dominant position of the planned economy?

At present, in our economic system, the planned economy holds a dominant position and regulation by market mechanism plays a supplementary role. State plans are divided into compulsory plans and guidance plans. At the same time, market mechanism is also allowed to play its role in the scope not covered by plans. Under these circumstances, after adopting the business responsibility system, enterprises will have to conduct production and handle business under different conditions. For example, some enterprises will mainly act according to compulsory plans, and others may mainly act according to guidance plans, while still other enterprises, which handle small commodities, can mainly act according to market mechanism. All this does not contradict our principle of ensuring the dominant position of the planned economy; rather, it is the embodiment of this principle. Here, it must be pointed out that when the compulsory plans are carried out, on the one hand, the enterprises are obliged to fulfill their compulsory tasks on schedule and to meet the requirements in both quality and quantity; on the other hand, the departments concerned at the higher level in charge of the enterprises on behalf of the state are also obliged to guarantee the necessary external conditions for the enterprises to fulfill their tasks and to ensure that the enterprises can gain reasonable benefits according to their business results. Therefore, it will be best if compulsory plans can be carried out through orders placed by the state with the enterprises. In this way, the state not only lays down compulsory plans for productive enterprises, but also requires the departments of material supplies and commerce to sign contracts with the enterprises that specify the specifications, quality, prices, and delivery time for the products so as to jointly fulfill the contracts drawn up according to the state compulsory plans. Under the premise of fulfilling the compulsory tasks, the enterprises should have the right to arrange production and marketing outside the plans, within prescribed limits. They should also be allowed to sell small quantities of their products themselves that are subject to state monopoly for purchase and marketing. We should properly and correctly deal with these issues in the light of different conditions.

The fifth question: After adopting the business responsibility system, should the enterprises have their relatively independent economic interests?

Since the business responsibility system involves the enterprises' duties, rights, and benefits, the enterprises should have their relatively independent economic interests beyond question. In the matter of interest distribution, the generally accepted principle at present is that when economic interests are shared out among the three parties--the state, the enterprise, and the individual workers, the state should be assured of the largest share, the medium-sized share should be retained by the enterprise, and the small share is shared among the workers. Here, the share of interests belonging to the enterprise is affirmed, and it is a medium-sized share. But we must



...what are the interests of the state and what are those of the workers. Without giving clear definitions to these interests and their contents, it is hard to clearly specify reasonable shares for the so-called "largest, medium-sized, and small" shares.

Now, the content of interest relations among the three parties mainly refers to the distribution of the profits made by the enterprise: The part of profits which is turned over to the state is the share of interests belonging to the state, and the part of profits retained by the enterprise is the share of interests of the enterprise. The second part of profits will still be divided into three parts: Funds for developing production, funds for collective welfare, and funds for workers' bonuses. In general, the funds for workers' bonuses are considered as the "small share" and belongs to the workers. In a strict sense, the term "interests" means the "ownership" of material wealth (which can take the form of value). The interests of the state are owned by the whole people; and the interests of workers are owned by the workers. There should be no question about this. The problem lies in the interests of the enterprise: the funds for production development will be turned into fixed assets which are owned by the whole people; a part of the funds for collective welfare will be used for social construction (such as building living quarters for staff and workers) and will eventually be owned by the whole people; and the funds for administrative expenses and workers' bonuses are owned by the collective of workers or individual workers. Therefore, in terms of ownership, there are only the interests of the state and the interests of workers, and no independent interests of the enterprise exist. However, if the term "interests" in a broader sense, not only means the "ownership" of material wealth, but also means the "right to use" material wealth, then only the enterprise production development can be considered the interests of the enterprise, because the enterprise has the right to use these funds although they are owned by the whole people.

In addition, since the business responsibility system is adopted, the enterprise must have certain rights to transform and develop themselves, and their economic interests should mainly be reflected in the fact that the enterprise has the right to retain a certain amount of funds for production development. Reasons for this can be found in the following three points:

1. The purpose of adopting the business responsibility system, which means that the state entrusts the production funds owned by the whole people to the staff and workers of an enterprise to handle business, is to combine the workers directly with the means of production so as to better arouse the enthusiasm and responsibility among the working masses and to give full play to their enthusiasm and initiative in production and business operation. In order to achieve better economic results, apart from relying mainly on giving play to the workers' enthusiasm for labor, the enterprise still has to strive to improve its technical conditions. Without certain rights to transform and improve its technical conditions, the enterprise in fact has no relatively independent authority for handling production and business operation.

2. The combination of laborers with the means of labor should be reflected in the fact that laborers have certain power to control the means of production and to handle the transformation of the means of production. The interest relations between the state and the enterprise is the embodiment of the interest relations between all laborers and a part of portion all laborers. The state accumulation fund is created through the labor of the workers, so the large part of this fund should be controlled by the state which represents all laborers and can be used for key construction in a planned way. However, the portion of laborers, who directly created the accumulation, should also have the right to control part of the accumulation. Therefore, under the premise that the ownership remains in the hands of the state, it is completely reasonable that a small part of the accumulation is left at the disposal of the enterprises. Now, enterprises under the collective ownership system can use part of their earnings as accumulation fund and public welfare fund to develop production and welfare facilities. If enterprises under the whole people ownership system haven't any right to decide their self-development, their vigor will certainly be poorer than those collectively-owned enterprises. This will be unfavorable to the development of the national economy as a whole.

3. In recent years, people have generally realized that the technical transformation of the existing enterprises should be placed in an important position in our strategy for development. However, we have not yet clearly decided how to raise funds for technical transformation and have to wait for state appropriations as before, it is certain that they cannot achieve good economic results. We must draw this lesson from our past experience.

In the matter of interest distribution, we have decided to substitute tax payment for profit delivery, then after-tax profits will be left to the enterprises. The major part of the profits retained by the enterprises should be used as the funds for production development. At the same time, we should consider the possibility of leaving all depreciation funds in the hands of the enterprises, so that they can rely on their own efforts to improve the technical quality of the enterprises.

Enterprises are basic units of the national economy. Each of them is a cell of the organic body of the national economy. They directly embody productive forces and relations of production in society. When we are to reestablish a new socialist economic structure, we cannot but first decide on the form of these cells. The structural reform involves both macroeconomic and microeconomic issues, but it should be started from the settlement of microeconomic issues. Then, a series of means and methods for the management of the macroeconomy can be worked out on that basis. In the course of handling the reform of the industrial management system, from the expansion of enterprises' decisionmaking power to the adoption of the economic responsibility system, and to the adoption of the business responsibility system at present, no matter what our subjective will is, the actual economic life has again and again required us to answer the question about the relationship between the state and enterprises, or in other words, required us to clearly stipulate the enterprises' duties to the state and

their rights. This seems to be an issue of microeconomics, but its correct settlement must be linked to the settlement of a series of issues concerning the management principles and concrete measures in macroeconomics. It is certain that the comprehensive introduction of the industrial economic responsibility system which involves duties, rights, and benefits will inevitably lead to a fundamental reform of our country's industrial management system.

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## FINANCE & BANKING

### UNREASONABLE DISTRIBUTION OF CORPORATE AFTER-TAX PROFITS DEPLORED

Guangzhou GUANGZHOU RIBAO in Chinese 19 May 83 p 2

[Article by Huang Senhua (7806 2773 5478): "A Crucial Question of Doing a Good Job In Substituting Tax Payments for Profits"]

[Text] In the experimental measures governing the implementation of "tax payments as a substitute for profits" of the state-owned enterprises it is self-evident that the crucial question of whether "tax payments as a substitute for profits" can be smoothly carried into effect is determined by whether the remainder of the profits of the large and medium enterprises after payment of 55 percent of their income tax is reasonably distributed.

The large and medium enterprises which are currently standing at a relatively high profit-retention level hold the view that in "tax payments as a substitute for profits" there is a stipulation endorsing "a basic preservation of the existing profit-retention level of enterprises." And they demand the right to keep up their "accomplished interests." This is apparently a misunderstanding. The stipulation which endorses "a basic preservation of the existing profit-retention level of enterprises" is meant for implementation in the whole nation or in a region. Substantially, when it boils down to each profession and trade, or to an enterprise, a vast majority of them may maintain their original reasonable profit-retention level, whereas a small number of professions and trades or enterprises which have maintained an excessively high or unreasonable profit-retention level must appropriately lower their profit-retention level, and it is not permissible for them to retain their "accomplished interests."

A reasonable distribution of the after-tax profits of the large and medium enterprises means essentially that a relationship of interests among three sectors--the state, the enterprises, the staff and workers--is well administered. In the current profit-retention situation of the enterprises there has existed a situation of "whipping the fast ox"--discouraging the front runners while failing to spur the laggards, an imbalance between joy and sorrow, and other unreasonable phenomena. The cause: On the one hand, because there is as yet not a full-fledged and reasonable adjustment of prices which affect the profit level of enterprises, there has existed a very great disparity in profits between the high-profit enterprises and the low-profit enterprises. On the other hand, because of lack of experience, it has become very difficult to make a reasonable evaluation and ascertainment of the profit-sharing base figure and

the profit-sharing ratio. The result: There has emerged a situation, in which the commercial enterprises are retaining more profits than the industrial enterprises, the profit-losing enterprises are getting more income than the profit-making enterprises, the enterprises which operate and manage their production inefficiently and which make little profits are maintaining a higher profit-retention level than the advanced enterprises. This cuts deeply into the nation's financial resources. The nation is currently pooling together some financial resources for doing a few big things, and it can no longer make additional concessions in the area of "tax payments as a substitute for profits." In this area of "tax payments as a substitute for profits" it is necessary to protect reasonable profit-retention by the enterprises, thereby enabling them to acquire more benefits from increases in output, in profits and in economic results, but it also is necessary to ensure a steady growth of the nation's financial revenues. This requires that we earnestly sum up experiences from the selected sectors and strive to avoid the creation in enterprises of a manifold imbalance between joy and sorrow, the reduction in revenues of the nation, the excessive dispersal of our financial resources, and other problems. An analysis of the cause of maintaining an excessively high profit-retention level in some enterprises will lead to the discovery of a basis for making a reasonable adjustment of the profit-retention level among all enterprises.

The magnitude of a profit-retention level of the enterprises is determined definitely by the magnitude of a profit-retention rate and also by the dimension of a profit-retention volume. In view of the fact that the prices, programs and scope of enterprise operations must all bow in obedience to projections of state plans and to other objective factors, the prevailing high level or low level of enterprise profits cannot fully reflect the superiority or inferiority of enterprise operations and management, nor can it adequately manifest the magnitude of the contributions of the enterprise staff and workers to the nation. For example, after the enterprise profit-retention level is arranged and fixed, some enterprises have become normal in their supply of energy resources, raw materials, production materials, and they have achieved a remarkable increase in production; other enterprises have started operations in their advanced production lines built with years of heavy state investment, and after consummating a trial production process they have started to manufacture new products that are considered a new type of marketable products rightly suitable to consumer needs; still other enterprises have suspended or reduced their output of profit-losing products; some enterprises have sold out by themselves a portion of their fast-selling products, thus converting commercial profits into industrial profits; other enterprises have reduced taxes imposed on interrelated industry and commerce, etc. All these objective factors may enable the enterprises to achieve a dramatic increase in profits. A more penetrating analysis shows that some enterprises have achieved a profit growth rate which is several times higher than their production growth rate, in conditions in which they are not adjusting upward the factory prices of their products, not altering their product structures and not reducing the cost of their products. It is then obvious that a vast portion of the increased profits is not created entirely by the subjective efforts of the enterprises. The excessively high profit-retention rate of this category of enterprises should be adjusted downward. The type of "accomplished interests" of some enterprises, acquired through fraudulence and deceit, through repeated acquisition, through getting two shares of money, must definitely not be protected.

The phenomenon of "whipping the fast ox" will continue to make its appearance if the one-sided emphasis on protection of "accomplished interests" is allowed to remain, if research and analysis are not done well, and if a unified and reasonable profit-retention level is not established through adjustments. For example, the Canton Bicycles Industrial Co., while experimenting "profits as a substitute for tax payments," achieved last year an average per capita profitmaking volume which was only 70 percent of that of the Canton Qiao Guang Pharmaceutical Plant, but the average per capita profit-retention volume of the former was 4.68 times higher than that of the latter. This state of affairs is by no means an isolated phenomenon. If a reasonable adjustment of after-tax profits is not carried into effect, the Canton Bicycles Industrial Co. will continue to keep up its impressive average per capita profit-retention volume in the days to come, even if its profits do not increase at all, whereas the Canton Qiao Guang Pharmaceutical Plant will have to increase its total volume of profits nearly four times in order to catch up with the profit-retention volume of the Canton Bicycles Industrial Company. In normal conditions, it is difficult to increase profits by several times within several years. This manmade contradiction of imbalance between joy and sorrow, if not altered, is unfavorable to motivation of improvement in enterprise operations and management, to elevation of enthusiasm in economic results, and to attainment of the goal of rewarding industrious people and punishing the lazybones.

Whether a profit-retention level is high or low cannot be judged purely from a profit-retention rate being high or low. For the nation as a whole, it is very necessary to make the average profit-retention rate a lever of control over the profit-retention level. Otherwise, it will not be possible to ensure financial revenues. However, when this is carried out substantially in each locality, city, profession and trade, it remains necessary to use the average per capita profit-retention volume as a basis for adjustment of the profit-retention level, besides using the average profit-retention rate as a lever of control. Take, for example, the textile industry. The average profit-retention rate of the textile industry in Shanghai City is approximately 9 percent, whereas the average profit-retention rate of the textile industry in Canton City is about 26 percent. This does not mean the average per capita profit-retention volume of the textile industry in Canton City is 1.9 times higher than that of the textile industry in Shanghai City. For the profit-retention rate of each enterprise, assessed and fixed at the time of making selective reforms, is enumerated basically in accordance with a nationwide unified measure: the higher the base figure of profits, the lower the profit-retention rate; the lower the base figure of profits, the higher the profit-retention rate. Because the profit level of Canton City is lower than that of Shanghai City, and because the commodity prices of Canton City are higher than those of Shanghai City, the base figures of bonus payments for staff and workers in Canton City are projected in terms of a ratio a little higher than their counterparts in Shanghai City. This is why Canton City has maintained a higher profit-retention rate than Shanghai City. This shows that the magnitude of a profit-retention rate does not fully reflect the dimensions of a profit-retention level. Therefore, speaking in terms of a city, in the premises of generally not exceeding the 1982 profit-retention level and of ensuring financial revenues, the average per capita level of the welfare fund and the bonus fund for staff and workers of enterprises in the whole city is a basis for verification and

formulation of a unified profit-retention level of the "two funds," and the fact that the production development fund is computed in a definite proportion of the unified total profits volume of an enterprise, thus figuring out a unified profit-retention rate for the after-tax profits of each enterprise. This provides the welfare fund and the bonus fund for staff and workers basically on the same profit-retention level, whereas the production development fund, which is determined in accordance with the magnitude of the profits of the various enterprises, solves basically the phenomenon of a longstanding and unreasonable inequality between joy and sorrow and protects the reasonably accomplished enterprises of the enterprises. With the formulation of unified regulations for adjustment of the profit-retention level, it is possible to reduce the number of enterprises and the phenomenon of pulling the rug from under one's feet, and to do a good job in "the payments as a substitute for profits" at a moment when time is running out and tasks are getting heavier.

With the implementation of "tax payments as a substitute for profits" enterprises will originate from a same profit-retention level and from a creation of equal conditions for enterprises to raise economic results, boost production and increase revenues.

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## FINANCE AND BANKING

### STATE REVENUE LAGS BEHIND OUTPUT VALUE

Shanghai JIEFANG RIBAO in Chinese 27 Jun 83 p 4

[Article by Staff: "Why Has the State Revenue Decreased When Production Has Actually Developed"]

[Text] In 1982, the nation's total industrial and agricultural production value reached 829.1 billion yuan representing an increase of 32.6 percent over 1978 and an average annual increase of 7.3 percent. During these 4 years, the policy of economic readjustment was thoroughly carried out and the rate of production development was not low. However, financial revenue actually decreased 3.3 percent. A prominent problem in our current economic construction is the shortage of state funds. Rationally, when production has developed, state funds should be relatively ample. Why then did the contradictory situation occur? There are primarily two reasons.

First, economic benefits have been poor. It has not been possible to reduce the costs of industrial production and of communications and transportation or the costs of commercial circulation. The cost of production of comparable products of industrial enterprises increased 0.9 percent in 1980, 1 percent in 1981, and showed no decrease in 1982. Taxes and profits provided by industrial enterprises for each 100 yuan of production value have decreased slightly, from 25.5 yuan in 1981 to 24.6 yuan in 1982. This item alone has accounted for a decrease in the state revenue of 4 to 5 billion yuan each year. The [state] profits and taxes per 100 yuan of production value in Shanghai decreased 3.3 percent in 1982 when compared to 1981, which represented a reduction in state revenue of more than 500 million yuan. In 1982, the financial losses of nonprofitable industrial enterprises in the nation totaled 4.2 billion yuan. When the losses of food grain and commercial enterprises were added, the total exceeded 10 billion yuan. These conditions show that economic benefits are an extremely important problem. While a relatively high rate of production increase signifies a relatively rapid production development, the high rate should be one achieved with the prerequisite of improving economic benefits. It should be a solid rate that enables both the state and the people to receive greater actual benefits. Otherwise, while the rate of increase appears to be very rapid, the cost of



production of products is not lowered, taxes and profits turned over to the state are not increased, and the financial resources of the state will not accumulate.

Secondly, the decrease in the ratio of financial revenue to national income has been excessive, financial resources accumulated by the state have been too small, and funds have been overly scattered. In recent years, there has been a necessity for the state to allocate more funds to improve the people's standard of living and to increase the individual funds of enterprises and, thus, the ratio of financial revenue to national income should be lower. However, for certain measures, the steps taken were excessive, with poor financial controls and many loopholes, so the rate of decrease in the ratio of financial revenue to national income has been too large. This ratio dropped from 37.2 percent in 1978 to 25.5 percent in 1982. This has created a situation where production has developed and national income has increased but funds in the hands of the state have actually decreased. On an overall basis, production development, increase of national income and increase of state revenue have been very much out of balance in recent years. The national income has increased 5.6 percent annually. On the other hand, financial revenues were actually decreasing 1 percent each year and only showed a slight increase in 1982. While state revenues have decreased, unbudgeted funds have actually increased on a large scale, from 47.1 billion yuan in 1978 to 65 billion in 1982, or a 75.2 percent increase during the 4-year period. These funds were as much as 65 percent of the state's budgeted receipts [in 1982]. The serious dispersion of financial resources has made it impossible to control the overall scale of capital construction. The phenomena of duplication of construction and blind construction have increased. The increase of consumer funds has also been difficult to control. Conditions of giving out monetary awards indiscriminately, giving out awards in kind indiscriminately, and subsidizing have become more and more serious. The state does not have much funds in the first place and when they are so dispersed, it is difficult to guarantee the priority constructions.

To solve the above problems, Premier Zhao Ziyang presented many concrete measures in his report. Generally speaking, the first is to vigorously develop production, reduce cost, save on expenses, and improve economic benefits. From the macrocosmic point of view, it is necessary to control the investment on fixed assets, maintain an accurate direction of investment, guarantee priority constructions, and pay attention to the technical reconstruction of old enterprises in order to further improve the benefits of investment and rationalize the structure of properties and the product mix. From the microcosmic point of view, it is necessary to vigorously increase the production of marketable goods and at the same time strive for reduction of consumption, reduction of cost, saving on expenses, conservation of financial resources and firmly raise the economic benefits a step higher through reorganizing enterprises, improving and perfecting the economic responsibility system, improving operational control and strengthening economic accounting. The second is to



appropriately centralize financial resources and guarantee priority constructions. The ratio of financial revenue to national income should be suitably increased. The relationship between state and the peasants and staff and workers should be correctly taken care of. From now on, the increase of peasant income should depend on increased production and cannot depend primarily on the increase of prices of agricultural products. The increase of income of staff and workers should depend on the development of production and improvement of economic benefits.

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## FINANCE AND BANKING

### SUPPLEMENTING ONE'S OWN CIRCULATING FUNDS EMPHASIZED

Guangzhou GUANGZHOU RIBAO in Chinese 7 Jul 83 p 4

[Article by Li Tongxin [2621 6894 2450] and Ke Wen [2688 2429]: "Pay Attention to Supplementing One's Own Circulating Funds"]

[Text] The State Council stipulates that enterprises must use a portion of their production development funds to appropriately supplement their own circulating funds. However, most industrial enterprises in our municipality have not done this. When the profit [system] is changed to the tax [system], the problem will become even more serious.

This is not a groundless concern. It is the conclusion reached from the operation of the three industrial enterprises in Guangzhou Municipality trying out the new tax system. The production development funds drawn by these three trial operations in more than 2 years have been used almost entirely in investments to update, reconstruct and expand fixed assets. The circulating funds owned by the enterprises themselves have not been supplemented. Supplementary circulating funds needed by the enterprises to expand production were entirely provided by loans from the banks. The increases in these loans have far exceeded the increases of production. The production development funds drawn by the three trial operations have exceeded the estimated figures when the retention percentages were decided. They had the resources to supplement their circulating funds but they have not done so. That bank loans carry low interests is, of course, a reason for this. However, more importantly, on the proper use of production development funds, the leadership of the enterprises lacks an overall viewpoint and lacks the concept of economic benefits.

Whether or not an enterprise supplements its circulating funds itself is not the business of the enterprise alone. It is a problem which affects the ability of the national economy to develop on a coordinated basis. The number of trial operations changing from the profit [system] to the tax [system] has been limited. If they did not supplement their circulating funds, it probably would not affect the overall situation. Now, all state-operated large and medium enterprises are practicing the change from the profit to the tax system. If every enterprise uses its production development funds entirely for investment in fixed assets, the problem will be serious. This is because, with the change from the profit to the

tax system, the financial authorities of the enterprises have correspondingly expanded. If the enterprises consider only their own production capabilities, use their production development funds on reconstruction, update and capital construction projects, and depend entirely on loans for their circulating funds needed for expanding reproduction, the result, on one hand, will be an excessive increase of fixed assets, which would exceed the capacities of materials supply and aggravate the difficulties of supply and transport of raw materials and fuel. In another area, the rapid increase of loans would increase the state's financial burdens and the state would not be able to centralize its funds and guarantee the priority constructions. Thus, there would be the possibility of a new imbalance of relationship between the various departments of the national economy which are currently undergoing readjustment.

In terms of the enterprise itself, its economic results may not reach the anticipated goals through this type of blind use of its production development funds. It is even possible that the results will be totally contrary to the anticipations. The 12th CPC National Congress Report identifies the acceleration of the turnaround of an enterprise's circulating funds as an important indicator in the evaluation of its economic results. For the three trial operations, their circulating fund turnaround times in 1982 were all longer than in 1979 prior to their trial change from the profit to the tax system. The longest time was an increase of 30 days. The results of new utilization of funds were really not good.

The reason is very simple. The basic production fund of an enterprise includes fixed funds and circulating funds. Both are essential in the production process and they mutually support each other. If the two cannot be balanced, the smooth progress of reproduction will definitely be affected. Generally speaking, an increase of fixed assets or an improvement of the capabilities of fixed assets requires a corresponding increase of circulating funds. If the sources of supply of these funds are not assured and the needs for additional raw materials, semifinished products, and stocking of produced goods cannot be satisfied, a passive situation that the rice is not there to put into the pot will appear in production and the fine aspiration of expanding reproduction will vanish like soap bubbles.

On the sources of circulating funds beyond the fixed quota, the decision of the State Council on the procedures to be tried by those changing from the profit to the tax system has again been reaffirmed. The leadership of each enterprise must understand the truth, recognize the overall situation, and consciously carry out their work.

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## MINERAL RESOURCES

### BRIEFS

SHANSHI GOLD PRODUCTION--Shandong Province overfulfilled its semi-annual gold production plan by 6.58 percent, registering an increase of 10.26 percent over the same period of 1982. [Excerpt] [SK290639 Jinan DAZHONG RIBAO 10 Chinese 3 Jul 83 p 1 SK]

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## INDUSTRY

### NATIONWIDE MEETING ON LOW-ALLOY, ALLOY STEELS HELD

Beijing GANGTIE [IRON AND STEEL] in Chinese No 5, 1983 pp 76-77

[Report by Lin Huiguo [2651 1979 0948]: "The Nationwide Meeting on Low-Alloy and Alloy Steel in Shanghai"]

[Text] In order to carry out the resolution passed by the party Central Committee and the State Council which put the development of low-alloy and alloy steels on high priority, with advanced technology to zero in on the reform, we should concentrate our effort in unity to make an achievement of our low-alloy and alloy steels industries. The National Scientific council, the Ministry of Metallurgy and the Shanghai Municipal Government recently called a nationwide meeting on low-alloy and alloy steels in Shanghai.

This meeting, which was convened by Comrade Fang Yi, state councillor, lasted for 8 days, from 1 to 8 March. Participating in the meeting were delegates from the State Planning Commission, State Economic Commission, State Scientific and Technological Commission, the Ministries of Metallurgical Industry, Chemical Industry, Petroleum Industry, Machine-Building Industry, Light Industry, Textile Industry, Railways, Communications, Water Resources and Electric Power, Coal Industry, Electronics Industry, Urban and Rural Construction and Environment Protection, Education, Chinese Academy of Sciences, State Bureau of Standards, China State Shipbuilding Corp, China Off-Shore Petroleum Corp, China Automobile Industry Corp, various metallurgical industries, as well as experts, professors, technological workers from scientific research, planning and higher educational institutes, as well as concerned comrades from Municipal Scientific Commission of Beijing, Shanghai, Tianjin. More than 300 official delegates attended the meeting which marks an important event in the development of our low-alloy and alloy steels.

The central topic of the meeting is to carry through the spirit of Premier Zhao Ziyang's instruction on developing low-alloy and alloy steels, to discuss how to get low-alloy and alloy steels on track. Comrade Fang Yi was at the meeting from the beginning to the end, listening to discussions and topical reports and made an important speech, in which he explained in comprehensive terms the significance of developing low-alloy and alloy steels, clarified the correct guiding thought, analyzed the favorable

conditions in our country for developing low-alloy and alloy steels, and (2) pointed out several major tasks which must be handled at present.

Comrade Jiao [2/99 3183], deputy director of the State Scientific Commission, in his opening speech pointed out that the main tasks of this meeting are: 1) discussing the policy of developing low-alloy and alloy steels; 2) discussing main problems to be tackled in the Sixth 5-Year Plan; 3) synthesize the problems and discuss a technical improvement plan for developing low-alloy and alloy steels in the following years. The mayor of the Shanghai Municipality, Xue Daoban [3076 6670 3211], summing up the situation in Shanghai, made an earnest appeal for the development of low-alloy and alloy steels. Zhou Qiongdian [0719 0278 0368], Lu Da [7120 6671], leading comrades of the Ministry of Metallurgical Industry, led a discussion on special issues of developing low-alloy and alloy steels. During the meeting, participants listened to the suggestions on the condition and demand for steel use in the various departments in the ministries of Light Industry and Railways. They also listened to the reports on tackling scientific and technological tasks in the Sixth 5-Year Plan, discussed the plan for developing production and improving technology of low-alloy and alloy steels and the policy for developing the technology of low-alloy and alloy steels. Delegates from enterprises, such as Capital Steel and Fushun Steel, also presented the present status and future plans for development of low-alloy and alloy steels in their own enterprises.

During the meeting, participating delegates studied the resolution passed by the Party Central Committee and the State Council on giving priority to developing low-alloy and alloy steels, they held discussions on Comrade Jiao's speech, analyzed the basic situation of low-alloy steel production, recognized the fact that the variety, quality and quantity of low-alloy and alloy steels still cannot meet the demand of modernization construction. The meeting reviewed some figures: for 31 years, from 1951 to 1981, our country has imported 10 million tons of various steels which represent 22 percent of the total production of steels during those 31 years, costing us \$20 billion, almost equal to the total sum of investment in our present steel industry. It makes us aware of the urgency of developing low-alloy and alloy steels.

Compared to ordinary carbon steel, low-alloy and alloy steels have higher quality, better performance and greater economic potential. Today in the rapid development of science, technology and industry, developing low-alloy and alloy steels has become the necessary avenue for developing the economy and technology of an industrially advanced country. The quantity, quality and variety of alloy and low-alloy steels have become an important gauge for measuring a country's economic strength and its level of scientific and technological development. The steel industry in our country must double the quantity of production, while the economic effect and utility value must more than double, and the development of low-alloy and alloy steels must be accelerated. Especially since the ratio of our alloy and low-alloy steels is lower than the level of more advanced country in the world, we must accelerate the speed of its increase.



It was held by the meeting that developing low-alloy steels is to meet the demand for the construction of the four modernizations, the advancement of technology and product improvement and updating, so as to make full use of our rich resources. Not only does this coincide with our immediate needs, but also with the strategic goal for our future development. Although our country has made tremendous progress in the production and utilization of low-alloy steels, as for satisfying the need of developing the national economy and as compared to foreign countries, there is still much to be desired, such as small variety of products, incomplete set of sizes and grades and welding materials; the undependability of quality and properties of large-scale steel materials; surface quality, size specifications and requirements etc, all often fail to meet users' demands. There are also many problems in production skills, rational utilization and scientific research. Future development will put emphasis on large scale development of high-strength steel, steel rails, steel bars and various weather-resistant steels, low-alloy steel oil pipes, etc. We must concentrate our strength on developing the steel for oil-drilling platforms, conduit pipes for petroleum and natural gas, steel resistant to atmospheric corrosion for automobile use, high-strength, corrosion-resistant steel rails, steel for geological survey and coal mining, quality steel for construction, low-alloy and diphasic steels for mechanical engineering. There is also need to advance in low-alloy rolling material, and ferroalloys used in low-alloy steel.

For alloy steel, besides its low production, the ratio of national gross output value to the production of alloy steels indicates that our consumption level of alloy steel falls far behind advanced industrial countries. In terms of the variety of our alloy steels compared to those of foreign countries, it is also obvious that the proportion of our bulky alloy steel material is too small, and the sheet, pipe and belt material too small. It was the consensus of the meeting that the immediate emphasis should be on the development of structural steel, stainless steel, bearing steel, high-speed tool steel, controlled silicon steel sheets and specialized steel according to the need of the industry. In the production of stainless we still have to: 1) raise quality; 2) produce a full complement proportion of varieties, raise the ratio of sheet, pipe and strip; 3) lower cost, making the product more competitive in the market. The first task for bearing steel is still to raise the quality and to expand the ratio of pipe materials. The export of high-speed tools is an extension of our superior resources which can earn more foreign exchange than exporting tungsten and molybdenum; high-speed steel rolled into cutting tools for export can reap even greater economic benefits.

It was pointed out in the meeting that be it low-alloy or alloy steels, in terms of variety of steel material, the emphasis should be on steel sheets and steel pipes and to strive to increase the ratio of pipe, sheets and belts in the total production of steel materials. It is also necessary to develop the manufacturing of products, to lower the cost of steel materials, to raise the quality and to work toward the goal of basically not importing, but equipping exports within a short period of time.

It was also pointed out at the meeting that the existing system of cradling steel in the country needs readjustment and reorganization, needs immediate

technology, and production organization must gradually reach the  
level of the world's more advanced countries. At the same time, every  
enterprise must set an internal control standard higher than the one set by  
the state, and continuously raise the material level of our steel materials.

The 1980 meeting on low-alloy and alloy steels has an important  
strategic and strategic significance in the development of our steel  
industry. It indicates that our steel industry is shifting its strategic  
emphasis to variety, quality and economic benefits, and especially to social  
benefits. In the concluding ceremony, Comrade Li Dongye [2621 2639 0396],  
Minister of Metallurgical Industry summed up the meeting, pointing out that  
the delegates were satisfied with what they had learned and that the  
meeting had fully met expectations. Delegates to the meeting, through  
the meeting, further clarified the guiding principle of developing low-alloy  
and alloy steels, clarified the key points in tackling science and technology  
in the 1980-1990 Year Plan, and held discussions on the policies of  
importing technical equipment to be acquired for the development of  
low-alloy and alloy steels. The delegates were convinced that with the  
implementation of the meeting's spirit and the achievement of various concrete  
tasks, the development of our low-alloy and alloy steels will enter into a  
new stage.

## INDUSTRY

### BRIEFS

SHANGHAI STEEL PRODUCTION--Shanghai's steel and rolled steel output in July increased by 1.4 percent and 6 percent, respectively, over the corresponding period of last year. [Summary] [Shanghai City Service in Mandarin 1100 GMT 1 Aug 81 04].

CSO: 4006/781

#### BRIEFS

FUJIAN PROJECT CURTAILMENT--The Fujian Provincial Government held a meeting on 18 July to discuss the readjustment of the number of key construction projects in Fujian. The meeting has decided that the number of Fujian's key projects for 1983 will be reduced from 29 to 25. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 18 Jul 83 OW]

FUJIAN DRINKING WATER PROJECTS--Since the beginning of this year, the Fujian Provincial Urban Construction Bureau has allocated 19.24 million yuan for construction of waterworks in cities, counties, and townships in Fujian. The provincial Water Conservancy Bureau has also allocated 2 million yuan for construction of waterworks in coastal rural areas. From 1980 to 1982, the provincial Public Health Department and two other provincial units allocated a total of 13 million yuan to build 300 small tap water stations and sink 4,100 wells for 1,100 production brigades in 30 counties and cities, thus benefiting 2.67 million people. In 1981 and 1982, the provincial Urban Construction Bureau allocated 29.2 million yuan to expand and improve a number of waterworks in cities. [Summary] [Fujian Fujian Provincial Service in Mandarin 1130 GMT 27 Jul 83 OW]

(end) 446/81

## FOREIGN TRADE

### CONTROL OVER ENTERPRISES ASSOCIATING WITH FOREIGN FIRMS TIGHTENED

Guangzhou GUANGZHOU RIBAO in Chinese 13 May 83 p 1

[Report of this newspaper by Hua Zhi (5478 1807): "Provincial Government Promulgates Provisional Regulations on Intensification of Control Over Foreign-Orientated Processing and Assembling Industry"]

[Text] Today, the provincial government has promulgated "Provisional Regulations on Intensification of Control over Foreign-Orientated Processing and Assembling Industry."

In a circular on promulgation of the "Provisional Regulations" the provincial government has emphatically pointed this out: Smuggling and tax evasion are law-violating criminal acts wrecking the socialist economic construction of our country. People's governments and relevant departments at all levels must earnestly tighten control over the foreign-orientated processing and assembling industry, blocking up and closing off loopholes, aiming blows resolutely at the law-violating acts of smuggling and tax evasion through utilization of foreign-orientated processing and assembling channels, and ensuring a healthy growth of the foreign-orientated processing and assembling industry in our province.

It is stipulated clearly in the "Provisional Regulations" that the enterprises performing foreign-orientated processing and assembling work are to be state-owned enterprises or collective-ownership enterprises. The enterprises and foreign-trade companies, before jointly signing agreements and contracts with foreign firms, must definitely do a truly good job in the credit survey of foreign firms. The organizations responsible for investigation and approval of agreements and contracts for foreign-orientated processing and assembling work must examine in earnest the credit status of foreign firms, the trade character of all categories, the contents of agreement and contract provisions. No approval shall be given if state laws and policy stipulations are not complied with, if the credit of foreign firms is not good, or if ambiguity is found in agreement and contract provisions.

The foreign-orientated processing and assembling enterprises, after presentation of the approved agreements or contracts for consummation of registration procedures at the customs house or the branch customs houses of the locality to which they belong, may start importing equipment. The enterprises, after

...in special conditions to start production, may apply for special business licenses from administrative departments of commerce and industry. Then, the enterprises, acting on the basis of the agreements or contracts approved by the relevant organizations and on special business permits, ratifies application for import and export of production materials, finished products and pro-

...the question of customs clearance for import and export of commodities. The "Provisional Regulations" stipulate: Manufacturing enterprises engaged in import and export materials for their foreign-orientated processing and assembling work must apply for approval at the customs house in conjunction with the relevant foreign-trade companies. It is permissible for several foreign-trade companies to jointly organize a customs clearance team for handling manufacturing customs clearance. Manufacturing enterprises with a relatively large transaction volume, after securing a consent from the customs authorities, may go directly at the customs house for clearance. When a contract for foreign-orientated processing and assembling work expires, the customs authorities must be informed in good time of the expiration and asked to terminate the contract. It is strictly forbidden to turn over to foreign firms the receipts and secondary evidences--agreements, contracts, "registration handbooks"--which are registered at and signed by the customs house, and let foreign firms go to the customs house for approval. Enterprises of foreign-orientated transportation are not permitted to apply for customs clearance at foreign firms.

It is stipulated in the "Provisional Regulations" that all relevant agencies must do a truly good job in inspection and examination of imports and exports of foreign-orientated processing and assembling commodities; that commodities of destination or a location of delivery does not have a customs stamp or label must possess conditions for affixing an official customs label, and the commodities may then be officially labeled by a customs house at the port of entry, and finally delivered to a destination or a designated location for customs inspection and clearance; that the export commodities must go through a process of customs inspection and clearance at the location of origin, before they are labeled and shipped out to a port of export for inspection and release. The vehicles responsible for transport of foreign-orientated processing and assembling production materials should be converted into airtight vans.

On the question of domestic sales of the foreign-orientated products domestically processed and assembled, it is clearly stressed in the "Provisional Regulations" that the foreign-orientated production materials and finished products are not allowed for domestic sales. The surplus production materials and a certain portion of the finished products created as a result of improvement in production techniques and betterment of business operation and management, as well as the production materials and the finished products approved for conversion into domestic sales in accordance with regulations as a result of specific circumstances, must all go through a process of customs declaration and tax payments in line with the relevant stipulations of the customs authorities. Production materials and finished products of this category should be



turned over to stores designated by county and city departments of commerce for unified sales. The processing units are not permitted to handle the sales themselves.

It is likewise stipulated clearly in the "Provisional Regulations" that the manufacturing enterprises performing the foreign-orientated processing and assembling work must establish an enterprise supervision and control team to take charge of the work of inspecting and receiving the imported material supplies and the work of inspecting and loading the finished products for export.

All the foreign-orientated processing and assembling enterprises must do their business in strict conformity with the approved agreements and contracts, establishing account books and ledgers, not committing acts of fraudulence and deceit, not resorting to practices of falsifying reports and altering the nature of trade; declaring honestly to the customs house all importing and exporting materials, not concealing and not falsifying their customs declaration of items, descriptions, specifications and quantities of products; not engaging in acts of smuggling in items irrelevant to agreements and contracts; not falsifying contracts and invoices, not inflating and falsifying volumes of attrition and rates of tear and wear of production materials for processing and assembling purposes; avoiding practices of unauthorized sales, transfer, swiping and stealing of imported production materials, equipment, finished products of processing; and refraining from falsification and alteration of ledgers and "registration handbooks."

The production materials and equipment imported for processing and assembling purposes, with their finished products included, are all material supplies placed under customs house supervision and control. All customs houses in the province must strengthen in earnest their work of supervision and control, doing a real good job in inspection of import and export of commodities and in verification of fulfillment of agreements and contracts. Smuggling and tax evasion, which are against the law and regulations, should be dealt with in a timely and solemn manner.

Departments in charge of enterprises at all levels, in conjunction with departments of foreign economic relations, foreign trade, industry and commerce, finance, internal revenues, public security, must bring into full play their respective functional roles under the leadership of the local people's government to ensure compliance with the state regulations on division of work, thus tightening the supervision and control of the foreign-orientated processing and assembling enterprises. Cases of smuggling and tax evasion, once detected, should be dealt with in a timely manner and in accordance with law.

Those who act in contravention of law and regulations while performing their foreign-orientated processing and assembling work shall be dealt with according to customs law and internal revenue regulations. The relevant cadres concerned with dereliction of duties shall be held responsible and punished by their supervisory organizations. Working staff of state organizations who further their own nests through abuse of powers, who commit acts of corruptive dealing, give bribery, who resort to practices of internal and external collusion in smuggling and tax evasion, thus committing crimes in the course of exercising control over the foreign-orientated processing and assembling work, shall be turned over to the judiciary organizations and punished according to law.

CONSTRUCTION OF EXPORTS ESSENTIAL TO PROMOTION OF DOMESTIC PRODUCTION

WU JING, MAO YI [INTERNATIONAL TRADE] in Chinese No 3, Mar 83 pp 3-5

[Article by Zheng Tuobin (6774 2148 1755), vice minister of Foreign Economic Relations and Trade: "Build Production Bases To Be a Gigantic Motor of Export Expansion"]

[Text] In order to open up a new horizon for our foreign economic relations and trade, it is necessary that the construction of export-oriented commodity production bases be regarded as a priority strategic task for us to lay a firm hold on, and that a series of high-quality raw materials and commodities and "hot-selling" commodities be developed, thereby creating a mainstay for expansion of export trade. Presented in the following are some of my opinions on three questions, namely, the situation of work on export bases and the tasks facing the bases, the technological reform of enterprises under the supervision of the foreign economic relations and trade system, and the upgrading of the quality of export commodities.

1. Situation of Work on Production Bases and Tasks Facing Bases

After the 12th CPC National Congress, we have been told by the central authorities to study the new situation, to solve the new questions, and to enter in steadily a new horizon for socialist construction. Leadership comrades of the central authorities have recently set forth to the whole party a call for achieving in our work within the new year new progress, new images, new accomplishments, and new contributions. This is a call on all of us to add luster and radiance to our great cause.

What is the new situation of work on our bases? What are the new tasks? And what are the new contributions we must make? These are the questions to be pondered and answered in earnest.

In the days following the 3d Plenum of the 11th CPC Central Committee, an excellent situation has prevailed in cities and rural areas as a result of the implementation of an internal policy of flexibility and an external policy of opening our doors to foreign countries, and of the huge amount of highly effective work performed by the whole party. Last year specifically the situation was much better than originally

anticipated. In the domestic markets there are surpluses in sales. The industrial and agricultural products readily available for export have increased steadily with the passage of time. In a situation like this, there has existed, both in industry and agriculture, a unanimous demand for establishment of ties with foreign trade and for expansion of exports, in order to propel a further development of production.

In the area of industrial products, we see that many products which in the past were products in short supply are now products in abundant supply. This is a favorable condition for expanding export of industrial products. Nevertheless, because of the poor quality of some products, of products not meeting market needs, and of products encountering difficulties in export, we must, therefore, not blindly produce products of this category. Nor should the foreign-trade agencies procure them blindly. To promote sales of industrial products, we must produce the right kind of marketable commodities and raise the quality of products. It is, however, too late to wait till a general improvement in the quality of industrial products is achieved throughout the country. What is the way out? The outlet lies in founding special plants and special workshops of export-orientated industrial products, in increasing varieties and categories, in raising grade and quality, and in improving packaging and designing of products. Over the last several years, we have established a number of special plants and special workshops. Achievements have been made, but progress in this area of work remains insignificant. Today the establishment of special plants and special workshops of export-oriented industrial products is more imperative than at any time of the past. The objective situation demands that we promptly solve the question of special plants and special workshops. Without an establishment of special plants and special workshops, it is impossible to speedily expand export of industrial products. Therefore, the question of establishing special plants and special workshops can no longer be treated with the same attitude of the past years. We must create, within the next several years, a breakthrough in establishment of special plants and special workshops.

In the domain of agricultural and subsidiary products we see a situation growing even more profoundly. Ever since the implementation in the rural areas of a system of responsibility for linking wages to performance in production, the enthusiasm of the peasants has soared rapidly. Richer and more abundant than ever before is the output of agricultural and subsidiary products. There is also a relatively faster growth in the sources of commodities. However, the development of the current situation in the rural areas has just started. Greater changes are coming on the way. The prevailing circumstances of 800 million people continuing to keep their bellies filled ought to be altered eventually. In the days to come, the rural areas must develop a direction of diversified economy. Peasants will leave their land in large numbers to work on a diversified economy. Peasants leave the land, but they do not leave the rural areas. This is what we call leaving the land, but

the village, for participation in specialized commodity production. It is also necessary for agriculture itself, food grains in particular, to be in for commodity production. The development of agriculture creates a very favorable condition for increasing the sources of export-orientated commodities. The broad masses of the peasants are now turning to economic diversification and specialized commodity production. They have pinned their great hopes on development of the output of export-orientated commodities. We must fully utilize this export potential. In the next several years, our export of products pertaining to the utilization of natural resources is not likely to increase significantly. The machine-building industry is a foundation of vital importance for the expansion of exports. A big increase in the export of machine tools and electrical appliances is likely, but this requires a long process to accomplish. Therefore, in the next several years, the growth of our exports will continue to rely on agricultural and subsidiary products, native and special products, products of the textile industries. In the last 1 or 2 years, the export of agricultural and subsidiary products has become stagnant and has declined to some extent. However, as the current situation in the rural areas has changed, the export potentials remain very great. What is important at present is a new situation of attaining a relatively higher proportion of export of agricultural and subsidiary products.

In order to arouse the enthusiasm of peasants in working for export-orientated commodity production, we must give peasants guidance, so that production will not develop blindly to the disadvantage of the state and the people. Peasants eagerly want to know what precisely are the products to be developed for export. Local party-state organizations and other government departments are also eagerly asking our comrades working for export-orientated production to set forth an orientation for development of export-orientated products. Meanwhile, we must render assistance to the peasants so that production may achieve a relatively faster development. In the light of years of experience, establishment of export-orientated commodity production bases, including comprehensive bases of agricultural and subsidiary commodity production bases, is the best way to guide the peasants in production. One may say that it is now more important than ever before to establish bases of agricultural and subsidiary products.

It is the opinion that this is a new situation and a new task facing us in the establishment of export-orientated production bases. Beginning in 1983, with the aim of making new achievements and attaining new progress in work, we must speed up construction of bases, notably construction of mono-industry commodity production bases as well as special plants and special workshops. We must strive to raise the proportion in export of products of the bases, including special plants and special workshops, so that the bases will be able to play a role of ever-increasing importance in exports.

## II. Question of Technological Reform of Enterprises

Between now and the end of this century, the various departments and branches of the national economy of our country must switch themselves over to a new technological base, in a planned way and step by step. In the Sixth 5-Year Plan of the state, the technological reform of enterprises is listed as a priority sector of capital construction. The management and technological reform of the manufacturing and processing enterprises under the supervision of our foreign economic relations and trade system have remained a weak link for quite a long period of time. Now with the whole nation intending to carry into effect a technological reform of the existing enterprises, all will turn out to be perfectly blank, if we do not again secure a firm hold on this aspect of work. Recently we have studied and decided to strengthen this aspect of work, entrusting a production-bases bureau with the responsibility of conducting a comprehensive management and technological reform of the manufacturing and processing enterprises under the supervision of the foreign economic relations and trade system, and at the same time creating a reform planning group. The task of this group is to assume responsibility for formulation of a general plan of the technological reform of the manufacturing and processing enterprises under the supervision of the foreign economic relations and trade system, for implementation of a technological reform according to plan, step by step, with emphasis placed on priority sectors, by stages and by groups. This is an important task of opening up a new horizon in our foreign economic relations and trade. For the manufacturing and processing enterprises under the foreign economic relations and trade system, though not of a large number, are entrusted with the task of processing export commodities. They are mainly working for exports. In 1979, we checked out the safety of production of the enterprises under the supervision of the foreign economic relations and trade system, making some reforms, replacing some equipment, hammering out some measures in a number of plants, notably the hazardous plants. That was only a preliminary reform of the problems relating to safety of production. It did not touch upon the question of technological reform and renovation of equipment and installation of the entire manufacturing and processing enterprises of the foreign trade system. Some of our enterprises are relatively advanced in technology, including some advanced imported equipment, but the vast majority of them are relatively backward. Plants of the 1970's are small in number. Plants of the 1960's are not many. Plants of the 1950's and plants before the 1950's are fairly large in number. Production is indeed very backward. Only by altering this backward state of production can we boost the quantity and quality of products and take in more foreign-exchange earnings. In recent years, as a result of the implementation of measures of flexibility and the utilization of foreign capital and compensatory trade, other departments have made relatively marked achievements, and we have also made some achievements, but our achievements are too insignificant in terms of varieties and results. An imperative task facing us today is reform of the aging enterprises. We must pay specific attention to this matter and strive to do a good job on it.

In connection with the technological reform of the enterprises of the trade system, it is necessary to start first with an investigation and study of all the manufacturing and processing enterprises of the trade system, including the plants of the specialized companies and the packaging and shipping companies, in order that the situation be clearly understood, the status quo of the enterprises be made amply clear, the enterprise categories requiring technological reform by stages and by groups be set forth, policies of technological reform and plans of reform of the manufacturing and processing enterprises of the trade system be formulated. When plans are being made, it is equally important to focus our attention on a reasonable production layout and to seek a gradual solution to the priority sectors, thereby integrating into one single entity the technological reform plans and the commodity export plans of the enterprises of the foreign economic relations and trade system.

With regard to settlement of the question of funds for technological reform, a portion of the funds appropriated by the state for investment in capital construction and for support of production of the foreign trade system can be used to finance the technological reform of enterprises. The enterprises capable of repaying loans may use a portion of the special loans for export-orientated industrial products, may make use of foreign capital, or may engage in compensatory trade.

At the same time, when the technological reform of enterprises is being carried into effect, we must concentrate on technological progress and secure a firm grip on this link, staying away from construction of new plants or expansion of old plants and reducing construction of indigenous plants to a minimum. Some of the plants which have failed to fulfill their production tasks for a long period of time should be adjusted, whenever an adjustment is required. They should be resolutely closed down, suspended, merged, or converted, whenever a closing down, suspension, merger, or conversion is needed. Attention must not be focused on outward expansion. It ought to be centered on what truly exists in the interior. In terms of using funds, it is definitely necessary to use the limited financial resources concentratedly on the priority sectors. Each and every project of technological reform has to be examined and checked in earnest, with priority given to projects requiring less investment, producing faster impacts, yielding higher economic results and needing a more imperative reform. On the question of funds, it is impossible to rely on the state for more money. One must rely on regeneration through one's own efforts, on self-provided funds.

Departments of the foreign economic relations and trade system as well as all relevant specialized companies in the various localities must strengthen leadership over and management of the enterprises under their supervision, motivate the enterprises to do a good job in technological reform, and help them solve problems in technology. At present, the enterprises under the supervision of the foreign economic relations and trade system have not yet established a unified management system and an economic evaluation system compatible with the distinctive



features of foreign trade. Many enterprises are still "eating out of a big common pot and receiving the same benefits." A study for improvement of this situation is imperative. And simultaneously with the technological reform of enterprises being carried out in the various localities, it is essential to secure a firm grip on streamlining and revamping of enterprises, on rectification of the leadership organs of enterprises in particular, to raise the management level of enterprises and the technological level of staff and workers, and to strive for an improvement in the quality of commodities. This is one of the priority tasks of the foreign economic relations and trade system in 1983.

### III. Question of Raising Quality of Export Commodities

Over the past years, in the wake of a sustained development of the industrial and agricultural production of our country, there has been a continual growth in the supply of commodities for export, with an alleviation in contradictions between domestic consumption and export. This is an alleviation only in the supply of some commodities. Generally there is still an inadequate supply of commodities. In order to expand exports, it is necessary to positively develop export-orientated commodity production. We have many commodities of excellent quality enjoying high prestige in the world market, but we also have quite a few commodities requiring an improvement in quality. Some commodities for export are inferior in quality. They are procured, but they cannot be sold out, thus overstocking the warehouses, holding up funds, or even deteriorating and being left to rot. Other commodities already exported are shipped back from foreign countries, destroyed, or charged with claims for reparations. This has brought not just economic losses to the state, it has had adverse effects on the prestige of the state as well.

Without an improvement in the quality of export commodities, it is not possible to achieve a tremendous increase in exports. If we strive energetically to raise the quality of export commodities, using the same raw materials and materials and energy resources that are now being used in export commodities, there will then be a dramatic increase in foreign-exchange earnings from the output of products for export. There are mainly three ways leading to this goal. The first is transformation of export of raw materials into export of finished products, such as, transformation of crude oil into refined oil, goatskin into leather, and many other commodities of unwrought raw materials into finished products. The second is conversion of low-grade products into high-grade products, continual upgrading of products and model changeovers, boosting of quality and grades, improvement of packaging and designing. The third is fulfillment of contracts as scheduled. A fulfillment of these three requirements may double the foreign-exchange earnings of many products. Nevertheless, if the quality of commodities does not improve, many commodities can only be sold at a low price, and it will be impossible for them to get into the world market. This not merely rules out the possibility of an increase in exports, but may also reduce exports.

In his "Report on the Sixth 5-Year Plan" at the Fifth Session of the National People's Congress, Premier Zhao Ziyang pointed this out: "It is necessary that energetic efforts be made to accommodate all kinds of changes in the world markets and to enhance their competitiveness. Competition in the world markets is extremely intense. International trade is daily gaining strength. However, we are generally placed on quantity, not on quality. If we can raise quality significantly, it will be possible to shatter some barriers to a certain extent. It is, therefore, essential for our commodities to win a victory through quality and to acquire more earnings through quality. An expansion of exports is not merely an increase in export volumes, but more importantly an increase in the quality of commodities. This will bring about a corresponding increase in sales price and in foreign-exchange earnings. How can we raise the quality of export commodities?"

First, it is imperative to have clearly defined criteria for the quality of products. Now that the State Economic Commission, the State Planning Commission in conjunction with the Ministry of Foreign Trade, and the Ministry of Light Industry have promulgated "Measures of Management of Quality of International Criteria," we must adopt with enthusiasm the international criteria and the advanced criteria of foreign countries, and compare the products of our country with capabilities to compete in the world markets. To this end, while export commodity production is being stepped up, it is necessary to formulate at the same time the adoption of international criteria by stages and at different levels, so that the export products of our country may gradually approach the international criteria and the advanced criteria.

Second, it is essential to bank on scientific and technological progress to carry out the technological reform of export-orientated production enterprises. Good seed strains should be introduced and cultivation under scientific farming techniques in the agricultural and sideline production bases. Technological reform and technological innovation ought to be carried out in export-orientated enterprises and priority export-orientated production enterprises.

Third, it is necessary to rely on policies and to arouse enthusiasm to raise the quality of export products. On the one hand, the products that meet the advanced criteria for raising quality must have priority in procurement and assistance. On the other hand, the products of truly high quality must have priority in procurement and get good prices for export. Products not complying with export quality requirements should not be procured.

## FOREIGN TRADE

### LIAONING TO ABSORB MORE OVERSEA INVESTMENT

161313-1 Beijing XINHUA in English 1140 GMT 11 Aug 83

(Text) Shenyang, August 11 (XINHUA)--Liaoning Province has utilized 200 million U.S. dollars of foreign funds between 1979 and June of this year, according to Wang Jiyuan, advisor to the provincial People's Government. The province, one of China's major industrial centers, has absorbed foreign funds through the forms of compensation trade, processing and assembly businesses, joint ventures, cooperative production and management, leasing and foreign loans. With the foreign funds, Wang Jiyuan said, the province has undertaken projects and carried out technical transformation for 420 industrial enterprises.

The province plans to launch 218 projects involving an estimated 262 million U.S. dollars during China's Sixth Five-Year Plan period (1981-1985), announced Wang Jiyuan addressing a work conference held by provincial authorities in Shenyang City.

Liaoning's foreign capital outlay in the future will be concentrated on extending medium-sized and small enterprises and importing technology, know-how and equipment so as to turn out more new products, Wang Jiyuan said.

The metallurgical industry in the province will strive to improve the quality of its products and increase the variety of high-grade steel plates, tubes and shaped steel with a view to saving energy and reducing pollution. In the machine building industry, foreign investment will be used mainly for the import of technology to improve existing testing and measurement capability, develop high-grade and precision products and digital control equipment. In agriculture, Wang Jiyuan said, advanced knowhow will be adopted to develop new varieties of aquatic products, apples and vegetables.

Overseas investments are also called for in developing tourism, service industries, commerce, communications and essential commodities of life, Wang Jiyuan said.

COM: 00200112

## FOREIGN TRADE

### BRIEFS

**QINDONG SHIJIUGANG HARBOR**--Construction of Shijiugang harbor is in full swing in Shandong. The first phase of construction covers two berths, one for a 100,000-ton class and the other is a 25,000-ton class. Their design capacity is for exporting 15 million tons of coal annually. In the second phase of construction, berths of 100,000-ton or 150,000-ton class will be built with an annual export capacity of 25 million tons. The harbor is designed and under construction by our country with loans from the Japanese government. Investment for the first phase of construction totals 100 million yuan. The first phase of construction is planned for completion in 1985. [Summary] [Jinan DAZHONG RIBAO in Chinese 5 Jul 83 p 2 SK]

**ZHEJIANG PROCESSING FOREIGN ORDERS**--In the first half of 1983 Zhejiang signed 10 contracts for processing or assembling imported materials or parts with customers from Xianggang [Hong Kong], Aomen [Macao], and foreign countries. These contracts have a combined worth of \$2.2 million. Since the second half of 1978, when the province started to sign such processing contracts, more than 160 enterprises have become involved in the business under a total of 670 contracts. The deals have brought new equipment and advanced technology to Zhejiang, enabling the province to produce more and better products. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1983 15 Jul 83 DW]

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LEAVE AND WAGES

#### BRIEFS

SHANGHAI CONGYUN BAO RENAMED--With the approval of the Shanghai Municipal Committee, the name of the Shanghai Municipal Trade Union Council's newspaper "SHANGHAI CONGYUN BAO" has been changed to "SHANGHAI CONGREN BAO." The publication of the renamed newspaper will be officially started on 29 July. [Summary] [OW091239 Shanghai City Service in Mandarin 2300 GMT 21 Jul 83 OW]

SHANGHAI TRADE UNION CONGRESS--After 4 days of meeting, the seventh trade union congress of Shanghai Municipality closed on the afternoon of 13 August. The 13 August afternoon meeting elected the seventh committee of the Shanghai Municipal Trade Union Council and the delegates to the 10th congress of the All-China Federation of Trade Unions. [No details about the election results] [Summary] [Shanghai City Service in Mandarin 1100 GMT 13 Aug 83 OW]

END: 0006/781

## TRANSPORTATION

### BRIEFS

ZHEJIANG COUNTY WHARF--A deep-water cargo wharf with a minimum capacity of 500 metric tons and the potential to accommodate ships weighing as much as 1,000 metric tons has been completed in Ruian County. The platform-type wharf is 62 meters long and 10 meters wide. It has just passed evaluation approval and will soon be put into operation. The wharf has an annual capacity of 120,000 metric tons, nearly half of the total volume of cargo handled by Ruian Port each year. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 16 Jul 83 OW]

CSO: 4006/781



CHONGQING'S DECISIONMAKING POWER SAID EXPANDED

HK161229 Hong Kong WEN WEI PO in Chinese 15 Aug 83 pp 1, 2

["Dispatch" from correspondent Cheng Hsiang: "Chongqing's Economic Decision-making Powers Expanded; Independent of Sichuan, Directly Under Central Authorities"]

[Text] Chongqing, 14 Aug--China took another important step recently while probing into the reform in the economic system--Chongqing City will be made independent of Sichuan Province and be placed directly under the jurisdiction of the Central authorities as far as economic affairs are concerned. In other words, Chongqing City will become a city directly under the central government in the economic field but will remain under the jurisdiction of the Sichuan Provincial Government in the administrative and political fields. This decision was disclosed by Yao Zhengchao and Wu Xiantao of the Chongqing City's office in charge of legal system reform during an interview with Hong Kong reporters.

According to them, the aim of the central authorities in making this decision was to strengthen Chongqing City's economic status as the central base to develop the great southwest.

In accordance with this, Chongqing City will be subject to "single-line affiliation under the state planning system" [jihua danlie] beginning from 1984. In other words, the State Planning Commission will directly assign quotas to the Chongqing City planning commission, with copies of the documents sent to the Sichuan Province planning commission. Other central departments concerned will also directly assign tasks to their counterparts of Chongqing City with copies of the documents sent to the departments concerned of Sichuan Province. On the other hand, the city will also submit its plans and work reports directly to the Central Planning Commission and other departments concerned, with copies to be sent to the provincial planning commission and the departments concerned. Thus, Chongqing City is vested with an economic decisionmaking power equivalent to that enjoyed by economic affairs units at the provincial level.

The central authorities made this decision to start the reform on 8 February this year. Then on 12 February, on behalf of Zhao Ziyang, Bo Yibo, first deputy director of the State Restructuring of the Economic System Commission,

convened a meeting in which responsible people of the central ministries and commissions concerned participated. The meeting pointed out that comprehensive reform in the economic system for large cities is an important component in our country's attempt to reform its economic system. As Chongqing is the first large city selected by the central authorities to carry out the experiment, responsible people of the ministries, commissions, and offices concerned were requested to send people to help carry out this reform in Chongqing. After this meeting, the central departments concerned deliberated with different departments of Sichuan Province and Chongqing City and other units and drew up seven reform plans.

As to external economic activities, the decisionmaking powers of Chongqing City will be greatly expanded. The following points are worth the attention of Hong Kong and foreign businessmen: 1) As Chongqing City began to practice "single-line affiliation under the state planning system" in the field of foreign trade in 1983 [as published], the city is enjoying a status independent of Sichuan Province in calling for tenders, holding trade talks, concluding transactions, arranging transport facilities, and settling foreign currency accounts. 2) Different foreign trade companies of Chongqing City have established direct contact with the Ministry of Foreign Economic Relations and Trade. 3) Chongqing can export all second and third category products on its own. 4) The Chongqing branch of the Bank of China has been upgraded as a trading-port branch. 5) The Chongqing port office has become independent of the Changjiang River port office and is no longer subordinate to the Ministry of Communications. Moreover, Chongqing City can form its own foreign trade fleets. 6) In preparing favorable conditions for Chongqing City, the Ministry of Communications and the Ministry of Railways will make common efforts to raise the port's navigation capacity through the Changjiang River from 83,000 tons in 1982 to 373,000 tons in 1985 [figures as published]. The Ministry of Railways has assigned 30 more wagons for the export of Sichuan products, enabling Chongqing to serve the export trade of the great southwest. 7) The upper limit of the value of single projects concerning economic and technological cooperation with foreign investors subject to approval by Chongqing City is \$3 million. Although this limit is lower than that for Shanghai and Tianjin Municipalities, it is higher than that for Chengdu, the capital of Sichuan Province, which is set at \$1 million.

Yao and Wu asserted that the above-mentioned measures would help to enliven the economy of Chongqing and would enable the city to play a more active role in developing the great southwest.

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**DATE FILMED**

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